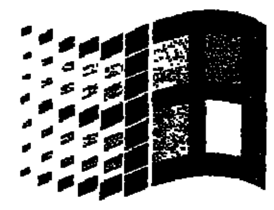
FINANCIAL TIMES

Opportunity knocks
Why it's takeover time in Mexico
Page 14

Pulp friction
Why enzymes could replace bleaching
Page 11

Leadership
Don't look to Bill Clinton
Edward Mortimer, Page 14



PC software
Waiting for Windows 95
Page 12

World Business Newspaper — WEDNESDAY JUNE 14 1995 — D8523A

Spain joins calls for vote change in EU foreign policy

Spain is expected to join German-led calls for more majority voting in EU foreign policy as part of a radical overhaul of the Maastricht treaty. The proposals are likely to draw opposition from Britain and France which are keen to preserve the national veto and maintain loose inter-governmental co-operation in foreign policy and on justice affairs such as immigration. Page 16

Union des Assurances de Paris, one of France's largest insurance groups, has attacked the management of industrial and financial holding company Compagnie de Suez, over talks with retail group Pinault Printemps Redoute. Page 17

Clinton names deputy treasury chief: Larry Summers, one of the Clinton administration's most visible economic policy makers, was named as deputy secretary of the US treasury, following the resignation of Frank Newman. Page 5

Cordiant, the troubled advertising group formerly called Saatchi & Saatchi, will dip back into loss in the first half of this year because of redundancy payments to 470 staff and a goodwill write-off, the company said. Page 17

Kissinger to get honorary knighthood:

Dr Henry Kissinger (left) is to receive an honorary knighthood from the Queen next week in recognition of his "contribution towards Anglo/American relations", the UK Foreign Office said. Dr Kissinger, 72, US secretary of state for the Nixon administration, will receive his award on June 20 in London but will not be called Sir Henry as he is not a British subject.

Nikkei slide: The Tokyo stock market continued its slide as a 1.5 per cent fall in the Nikkei average brought the benchmark near to a six-year low and triggered concern from government leaders. The 225-share Nikkei average closed 213.78 points down at 14,599.68, its lowest since the 14,309 registered in August 1992.

S Korea welcomes nuclear pact: South Korean officials expressed hope that North Korea's acceptance of South Korean nuclear reactors after three weeks' of talks with the US would lead to closer ties between the two Koreas. Page 8

BBA claims Holvis victory: UK industrial company, BBA Group, claimed victory in Switzerland's first takeover battle after International Paper of the US abandoned its pursuit of non-woven fabrics and paper distribution group Holvis. Page 17

Russia and China pledge to improve trade: Russian and Chinese officials vowed to reverse the decline in trade between them by adopting a more capitalist way of doing business. Page 3

NEC plans new plant: Japanese computer and electronics company, NEC, is considering building a new semiconductor plant in northern Japan at a cost of Y50bn-Y60bn ($594m-$713m). Page 21

France to raise wealth tax: France's new government is considering increasing the wealth tax to offset criticism that a rise in value added tax – the main feature of the budget due on June 28 – will hit poorer consumers hardest. Page 2

Japan calls for more car talks: Japanese foreign minister, Yohei Kono, called for urgent efforts to break the deadlock in the car dispute between the US and Japan, proposing further talks before and after this week's Group of Seven summit. Page 6

Workers' rights violations rise: The number of countries where workers' rights were violated rose to 98 last year, the highest total so far recorded, according to the Brussels-based International Confederation of Free Trade Unions. Page 4

Mexican bank wins bad loan help: The Mexican government agreed to take over 4.34bn pesos ($750m) of discounted non-performing loans of Mexico's third biggest bank, Banca Serfin, in return for a commitment from existing shareholders to recapitalise the bank. Page 19

Jetfoil hijackers steal $1.6m: Hijackers robbed a Hong Kong-bound jetfoil of HK$12m ($1.6m) after diverting the craft and its 129 passengers into Chinese waters, a spokeswoman for the jetfoil company said. The hijackers, who boarded the jetfoil in Macau, transferred the money to a speedboat and disappeared.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,470.57	(+24.21)
NASDAQ Composite	892.33	(+4.35)
Europe and Far East		
CAC40	1,922.79	(+15.04)
DAX	2,115.11	(-4.45)
FT-SE 100	3,348.0	(+3.4)
Nikkei	14,599.68	(-213.78)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.608%
Long Bond	113½
Yield	6.581%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(Same)
UK: 10 yr Gilt	103¾	(102⅞)
France: 10 yr OAT	100.49	(99.71)
Germany: 10 yr Bund	101.2	(100.3)
Japan: 10 yr JGB	112.524	(112.324)

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$17.475	(17.515)

GOLD

New York: Comex		
(Aug)	$389.4	(390.2)
London:		
close	$387.4	(387.55)

DOLLAR

New York: lunchtime		
£	1.5945	
DM	1.4082	
FFr	4.945	
SFr	1.1607	
Y	84.4	
London:		
£	1.5946	(1.5965)
DM	1.4044	(1.4029)
FFr	4.9443	(4.935)
SFr	1.1578	(1.157)
Y	84.16	(84.14)

STERLING

DM	2.2394	(2.2396)
Tokyo close:	Y 83.75	

Austria	Sch35	Greece	Dr400	Malta	Lm0.80	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pes50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L55,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Conglomerate goes full circle to demerge as insurance, industrial and hotel groups

ITT to split into three businesses

By Tony Jackson in New York

ITT, the US corporation which for decades embodied the idea of the conglomerate, is to round off an era by breaking itself up. After months of rumour, the company yesterday confirmed it is to be spun off into three separate entities: an insurance company, an industrial group and a hotel and gaming company.

The demerger of the company, which had sales last year of $24bn, is claimed to be the largest in the US since the enforced break-up of AT&T a decade ago.

Mr Rand Araskog, ITT's chairman and chief executive since 1979, said the move would make it easier to raise capital and recruit staff. "ITT has always prided itself on being a company that is right for the times," he said.

The company's shares, which had risen strongly in expectation of the break-up, jumped a further $5⅝ to $114⅝ in early trading yesterday, valuing ITT at $12.1bn (£7.7bn).

Mr Araskog will be chairman and chief executive of the hotels group, to be known simply as ITT Corporation and consisting chiefly of the Sheraton and Cigna hotel chains, Caesar's World casinos and a half share in New York's Madison Square Garden.

The other two new companies – to be known respectively as ITT Hartford and ITT Industries – will be chaired by two ITT executives, Mr Donald Frahm and Mr Travis Engen. ITT Hartford consists of Hartford insurance, the property, casualty and life insurer. The industrial group takes in motor components, defence electronics, pumps and valves.

Shares in the three companies will be handed out on the basis of one of each for every existing ITT share, with the transaction expected to be completed by the end of the year. The company said it would suspend dividend payments after the payment due on July 1, and would resume them next year on the new stock, with the combined dividend expected to be 10 per cent above the current level.

ITT said it would begin a tender offer to buy back the whole of its outstanding debt, probably next week. Mr Robert Bowman, chief financial officer, said: "We are sure there will be a thoughtful discussion with our bond holders on what's a fair tender premium."

The largest of the three new companies in terms of sales and profits will be Hartford, with revenues last year of $11.1bn. Next comes the industrial company, with revenues of $7.6bn, followed by the hotels group with $4.8bn. However, the hotels business is expected to have the highest market value, based on its growth prospects.

Founded in 1920 as a Puerto Rican telephone company, ITT achieved classic conglomerate status in the 1960s and 1970s under Mr Araskog's predecessor, Mr Harold Geneen. Acquisitions ranged from bread and paper companies to Avis Rent-A-Car.

By the time Mr Araskog took over in 1979, the company was out of favour with investors and weighed down with debt. His most dramatic step until yesterday's announcement was the 1986 sale of the original telephone business to CGE of France, leading to the creation of Alcatel.

Mr Araskog said yesterday he first began seriously considering a break-up in January 1993, with the board approving the idea in principle a year ago. The chief obstacle had been the then weakness of the hotels business. This had since been addressed by such acquisitions as Caesar's World, funded by the $13bn sale of its financial services businesses.

ITT said last Friday's conclusion of the financial services disposal programme had cleared the way for a board meeting on Monday evening, New York time, to approve the break-up plan.

Lex, Page 16

First Data acquires rival card processor

By Richard Waters in New York

Two of the biggest US processors of credit card and other transactions are to merge, creating a company with a stock market value of $13bn and a dominant share of the fast-growing payment processing and information services businesses.

First Data, which was part of American Express until 1992, is to acquire its rival First Financial Management in an all-share deal valued at $6.5bn.

The two companies said the deal would give greater economies of scale at a time when the transaction processing business was opening up to outside competitors ranging from telecommunications companies to hardware and software makers.

Mr Henry Duques, chairman and chief executive of First Data, said: "The payment services industry is rapidly changing and growing exponentially".

Further growth is expected from the development of "smart" cards, which carry microchips coded with payment instructions, and payments through on-line services.

First Data, in common with First Financial, has been involved in a spate of recent takeovers. Both companies have sought to cut their unit costs by adding to their transaction volume, while extending their services.

Both process card transactions for banks and other card issuers, such as oil companies. They also act for merchants in authorising and settling card transactions, and run money transfer businesses.

Both have also moved outside the financial services business, into areas that include processing claims for health insurers, operating billing systems for cable television companies and running database marketing programmes. Financial services, though, still account for about 85 per cent of their revenues.

First Financial last year outbid First Data in the battle for Western Union, a long-established US money-transfer company. It also recently agreed with Microsoft to process the financial transactions conducted through the software company's planned on-line information network.

The combination of the two companies is likely to draw the scrutiny of anti-trust regulators, though Mr Duques said legal advice suggested this would not be an obstacle.

Yesterday's deal valued First Financial's shares at $88 each, a 15 per cent premium above their level before the transaction was announced. First Data's share price slipped 3 per cent during the morning, to $55⅛.

First Data last year made after-tax profits of $208m on revenues of $1.7bn, while First Financial reported net income of $160m on revenues of $2.2bn.

Lex, Page 16

Bosnian Serb leader Radovan Karadzic (right) and Serbian special envoy Jovica Stanisic announce the release of all but 14 of the remaining UN hostages in Bosnia yesterday. The Bosnian Serbs claimed they had received guarantees of a halt to air strikes in exchange for releasing the peacekeepers, but western governments denied any deal had been struck and said they had not ruled out any military options. Details, Page 16 Reuter

Murdoch's China ambitions boosted by News Corp deal

By Tony Walker in Beijing

Mr Rupert Murdoch took a big step yesterday towards realising his ambitions in China when his News Corporation announced an information technology deal with People's Daily, the Communist party newspaper.

News Corp executives and the influential Chinese partner said the agreement to co-operate initially in electronic publishing and data retrieval could lead in time to newspaper and television ventures, including a financial publication.

Mr Murdoch, whose attempts to penetrate China previously attracted a cool reception, hailed the deal with "one of the strongest and most influential media organisations in China". The Australian-born magnate described People's Daily as an "ideal partner" for News Corp in the area of information technology.

Mr Lachlan Murdoch, Mr Murdoch's 23-year-old son, was named as one of the directors of the $5.4m joint venture, to be known as the Beijing PDN Xinren Information Technology Co. The 50-50 joint venture has registered capital of $2.8m.

Mr Zhang Dehua, the new venture's general manager, said in Beijing that People's Daily wanted to expand its activities into other areas of the media. Chinese regulations did not at present allow joint ventures in TV or newspaper publishing, but he hoped that the present "red light" barring such activities would become a "green light".

Mr Zhang said: "People's Daily is interested in getting into the TV business." It was also attracted to ventures involving the dissemination of financial and business information.

The immediate aims of the new company were described as exploring opportunities in information technology, including "electronic publishing, on-line information databases, data transmission networks and digital mapping".

While Mr Murdoch's investment in the venture is modest and the business may be of limited scope, the agreement represents an important breakthrough for News Corp.

China blocked previous attempts by Mr Murdoch to become involved in publishing ventures with Chinese partners, and also banned satellite dishes, thwarting his Star's TV's efforts to spread its satellite service across Asia.

j Mr Murdoch aroused the suspicions of China's leaders with his observation in 1993 that satellite TV posed an "unambiguous threat to totalitarian regimes everywhere".

Last year Mr Murdoch admitted that he had removed BBC World Service Television from the Hong Kong-based Star service for northern Asia to please the Chinese government and re-establish the satellite service there.

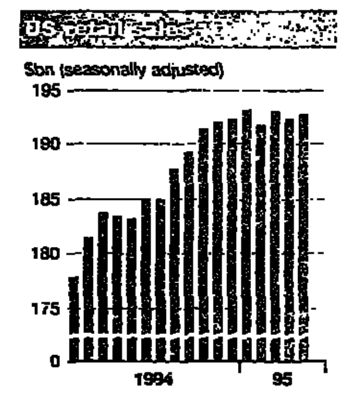
He has also sought to win favour by sending News Corp executives on long missions to Beijing, visiting the Chinese capital himself, and cultivating influential political figures.

The Murdoch-owned publisher HarperCollins paid a six-figure sum for the English rights to the biography of Mr Deng Xiaoping, China's senior leader, written by his daughter, Ms Deng Rong.

Editorial Comment, Page 15

US bond prices surge on weak retail sales data

By Michael Prowse in Washington and Lisa Bransten in New York



Source: Datastream

Unexpectedly weak retail sales figures yesterday prompted a surge in US bond prices as traders bet that the Federal Reserve would cut short-term interest rates in an effort to revive the sluggish US economy.

Some economists expect a rate cut as soon as next month but most say an easing is unlikely before August.

By midday yesterday, the 30-year benchmark bond was up nearly 1½ points to yield 6.592 per cent. The yield on two-year bonds fell sharply to 5.680 per cent – far below the 6 per cent level at which the Fed is pegging the official federal funds rate.

UK government bonds also rose sharply, with the long gilt future on Liffe up over 1 point in late trading. German government bond prices were higher, but performed less well than other European markets amid uncertainty ahead of today's Bundesbank council meeting.

The US rally marked a swift reversal of sentiment from last week when hopes of a rate cut faded after comments from Mr Alan Greenspan, the Fed chairman, which implied the economy had slowed sharply but was not heading for recession.

The Commerce Department said retail sales rose 0.2 per cent last month. But the increase fell far short of the 0.8 per cent gain expected in financial markets, and failed to compensate for a 0.4 per cent drop in sales in April.

Separate figures for inflation provided further evidence of weak demand. The "core" consumer price index rose 0.2 per

Continued on Page 16
Wooing the office ladies, Page 8
Bonds, Page 24

CONTENTS

No 32,701 Week No 24
LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

CDU seeks majority voting in EU foreign policy

By Judy Dempsey in Berlin and Michael Lindemann in Bonn

Germany's governing Christian Democrats (CDU) yesterday unveiled a policy document calling for the introduction of majority voting on foreign policy issues in the European Union and the scrapping of the present consensus system.

But it omitted any mention of a two-track, or hard core, group of states which would set the pace of European political and economic union. These policies had been advocated last September by Mr Karl Lamers, the CDU's foreign policy spokesman, and had provoked sharp criticism from several countries, Britain among them.

Yesterday, Mr Wolfgang Schäuble, parliamentary leader of the CDU, and the Christian Social Union, its Bavarian sister party, adopted a more conciliatory approach in the strategy paper for next year's intergovernmental conference on the future of the Union.

At a news conference in Berlin, Mr Schäuble said majority voting meant that "those who are ready to act together should not be hindered by a minority." Instead of exercising a veto, countries could abstain, the document said. However, they could be obliged, for example, to finance military operations, even though they had abstained from the vote.

Mr Schäuble added that majority voting would not only increase the efficiency of the EU in foreign policy decisions, such a mechanism could provide a timetable for merging the EU and its fledgling Western European Union defence arm. However, the document fell short of proposing what kind of institution, or minister, would oversee the EU's foreign policy.

The original draft of the CDU paper, which will be adopted as government policy later in the summer, had contained several references to a hard-core group of countries. But government sources said that Chancellor Helmut Kohl, Mr Rudolf Seiters, the former interior minister, and Mr Schäuble, had diluted the proposals. They wanted first to see what kind of policies France's new president, Mr Jacques Chirac, would adopt, while at the same time leaving Germany room for manoeuvre at the intergovernmental conference.

During a news conference later in Bonn yesterday, Mr Klaus Kinkel, the foreign minister, said he was pleased that the expression "core Europe" had been dropped from the CDU's paper, and welcomed the fact that majority voting on matters of foreign policy had been given such prominence.

However, Mr Kinkel, who has often been forced by Mr Kohl to assume a lower profile on matters of European policy, warned that majority voting should not necessarily be extended to all areas of EU policy-making. "I don't think that all problems can in practice be decided by majority voting," he said.

He added that funding for the EU's common foreign and security policies should be clearly identified and not decided on a case-by-case basis as suggested in the CDU paper. "Budgetary considerations cannot be allowed to decide foreign policy," Mr Kinkel said.

New French government looks for way to offset criticism of plan to increase VAT

Juppé may put small squeeze on rich

By David Buchan and John Ridding in Paris

France's new government, headed by Mr Alain Juppé, is considering increasing the wealth tax to offset criticism that a rise in value added tax – *the main fiscal feature of the* budget due to be presented on June 28 – will hit poorer consumers hardest.

The political symbolism of this tax – introduced by the Socialists in 1982, scrapped by the Chirac government in 1986 and reintroduced by the Socialists in 1988 – is out of all proportion to its yield last year of around FFr8bn (£1bn) on the assets of France's 170,000 richest residents.

A possible 10 per cent increase would bring in less than FFr800m, set against the FFr37bn which raising the standard rate of VAT from 18.6 to 20 per cent would bring in. But squeezing the rich a bit more would be line with President Jacques Chirac's swing to the left in this year's presidential campaign and his rhetoric against the *rentier* class. It would also balance criticism that raising VAT is regressive.

In designing his first budget, which is keenly-awaited by nervous financial markets, Mr Alain Juppé, the prime minister, has to reconcile a commitment to increase job subsidies (in order to reduce the 12.2 per cent unemployment rate) with his promise to reduce the 1995 budget deficit.

On present trends the 1995 deficit is sure to surpass the FFr275bn goal set by the previous government, because the pattern of growth is yielding relatively little in extra tax receipts.

According to data released yesterday by Insee, the national statistics office, gross domestic product rose by 0.7 per cent in the first quarter compared with the previous three months. In the final quarter of 1994, GDP rose by a *revised 0.8 per cent, an annual* growth rate of 2.8 per cent.

The first quarter performance was at the top end of forecasts. But the figures confirmed an underlying slowdown in economic activity, *compared with the robust* growth of 1994.

"It is not dramatic, but the figures support the view that we are returning to a trend annual growth rate of about 2.5 per cent," said Mr Jean-Fran*çois Mercier, economist at* Salomon Bros.

In the first quarter, as last year, exports remained a significant engine of growth, with the trade balance contributing 0.5 percentage points to the increase in GDP.

Exports outside the European Union are exempt from VAT which, however, bears fully on domestic consumption. But consumption remained sluggish in the first quarter, reflecting political uncertainties in the run up to the April/May presidential poll and the weight of unemployment.

With retail prices rising only 0.2 per cent in May, or at an annual pace of 1.6 per cent, France continues to run on the lowest inflation rates in Europe. However, the central bank has discreetly expressed concern about the impact on the consumer price index of the government's VAT plans and of the substantial increase proposed in the minimum wage on July 1.

As a result, the bank may redouble its caution in lowering interest rates.

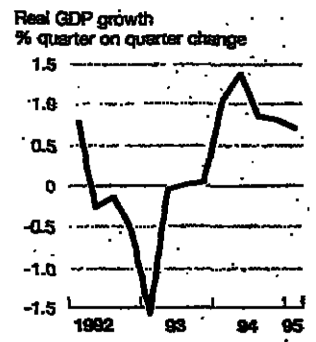
The French council of ministers yesterday approved *details of* the traditional amnesty for minor offences given after the election of a new president, writes Andrew Jack in Paris. The amnesty, dating in its modern form from 1965, will be more restrictive than in 1981 and 1988, but will cover a range of contraventions and condemnations which took place before the inauguration of President Jacques Chirac on May 18.

Fines will be waived for some speeding offences, but driving **licence points will not be restored. There will be pardons for some people sentenced to minor prison terms. In 1988 those sentenced to up to four months *in prison or with suspended sentences of up to one year were let off.* These limits will be reduced. Among the items not included are drunken driving and crimes related to financial or business corruption, terrorism, *violence against minors and environmental offences.***

Police and safety experts have criticised the amnesty, which they argue leads to reckless driving and additional deaths as people defy the rules in the knowledge that they are likely to be pardoned.

France

Real GDP growth
% quarter on quarter change



Source: Datastream

Referendums sideline Italy's parliament

Preparations are under way to collect enough signatures to hold 18 more referendums in Italy.

The issues range from demilitarising the Guardia di Finanza (the financial police) and making it easier to become a journalist to allowing abortions in private clinics and easing penalties on light drugs. Only 500,000 signatures are required for a referendum to be held, but the courts have to decide whether the issue is a valid one.

Coming in the wake of last Sunday's 12 referendums, the initiative has raised concerns that this form of direct democracy is getting out of control. Already there are calls for tighter rules, and an increase the number of signatures necessary.

The real worry, however, is that the role of the Italian parliament is being eroded. The issues being put to the public in referendums are ones which any proper functioning parliament should take in its stride as elected representatives of the people.

Indeed, with the exception of the early referendums which touched "big" issues such as divorce and abortion, most have concerned minor aspects of those issues. Last Sunday, for instance, one of the votes involved the state's right to transfer suspected Mafia members to house arrest outside their home towns.

All but two of the newly proposed referendums concern matters which could be settled quickly by intelligent parliamentary debate. Should, for instance, the electorate be asked to decide whether or not hunters can enter private farmland without permission?

The blame for this state of affairs lies with the politicians, as successive parliaments have become slower and slower in dealing with legislation. This is partly because both houses have equal counter-balancing powers and the passage of laws is duplicated throughout. Blockages also reflect the power of the huge number of lobby groups and the proliferation of political parties.

Moreover, with governments lasting no more than nine months on average, each has imposed its own agenda. Thus, the referendums have been a direct response to the stifling of real debate in parliament and the latter's inability to set the agenda for reform.

Over the past decade governments have also resorted increasingly to the decree in legislating on every aspect of life. A decree has immediate effect, but has to be ratified by parliament within 60 days or lapse. However, it can be renewed, and there are plenty of instances of this being done five or six times in a row.

Another reminder of parlia*ment's diminishing role* has been the way President Oscar Luigi Scalfaro has felt obliged twice in the past two years to call on non-parliamentarians to head the government. In both instances he has turned to the "technocratic" ranks of the Bank of Italy. Mr Carlo Azeglio Ciampi, the bank's governor, answered the call in May 1993, then last January it was the turn of Mr Lamberto Dini, its former director-general. Mr Dini's government, in fact, is the first since the second world war to be formed entirely of people outside parliament.

Increasing use of popular votes, even on minor issues, is eroding the role of the country's MPs, writes **Robert Graham**

Although both men have been scrupulous in their respect for parliament, an important precedent has been established in choosing as premiers non-elected figures with no prior parliamentary experience. The precedent is all the more serious because it has tended to encourage the separation of the executive from the legislature.

The agenda for national debate and legislative innovation is also being usurped in another way. Where important legislation concerns specific interest groups, parliament is excluded in the formative stage of law-making. The most clear-cut example of late has been the way in which reform of the state pensions system has been agreed between two parties – the government and the leaders of the main union confederations.

Both the present government and its predecessor chose to deal with those most directly affected by pensions reform. Only after a deal was agreed in talks lasting from October to May was legislation submitted to parliament. The unions' high-profile role in imposing their own ideas on such a key issue has stung many deputies. The fact that hundreds of ammendments have been submitted to the bill in the past two weeks suggests that, this time at least, deputies believe parliament must recover some of its lost ground.

Phone tap admission sparks row in Spain

By David White in Madrid

King Juan Carlos of Spain features among dozens of public figures and businessmen reported to have had telephone conversations taped by the Spanish intelligence service.

Yesterday's report in the daily El Mundo followed official confirmation of the eavesdropping practice, which the newspaper first disclosed on Monday and which has sparked a political row between the Socialist government and opposition parties.

The Ministry of Defence, which is responsible for the *Cesid* intelligence branch, admitted that calls had been intercepted without authorisation from a judge. But it said that in the case of mobile telephone calls the practice "was not illegal" until laws on phone-tapping were tightened up late last year. The service had "revised its operations" following the new legislation.

"There was never any intention of spying on the people mentioned in the press reports," it said. On the occasions when the service had intercepted mobile telephone conversations of well-known figures "by chance", it had made no use of the information obtained.

El Mundo yesterday published what it said was a log of 93 recordings made between 1984 and 1991 and kept in a Cesid archive.

One entry carried the initials S.M., interpreted as standing for Su Majestad (His Majesty). Other people reported to have conversations on file included known friends of the king, former prime minister Mr Adolfo Suárez, several Socialist ministers then serving in the cabinet, the editor of the conservative daily ABC, journalists, businessmen, foreign ambassadors, the security services of King Hassan of Morocco, the wife of a US envoy and the president of Real Madrid football club.

Mr Suárez said: "It seems intolerable to me that these things should go on." The centre-right Popular party opposition yesterday called for "an immediate explanation" from Mr Felipe González, the prime minister.

Spain's constitution protects the secrecy of telephone conversations "except by judicial decision".

According to El Mundo the tapes were made by a special Cesid unit known as the "technical division", starting in 1984 when Mr Narcis Serra, now deputy premier, was defence minister.

The row raises questions both as to who ordered the tapes and as to who was responsible for leaking the information to El Mundo, which has embarrassed the government on numerous occasions by publishing confidential documents.

The rival daily El Pais suggested that the publication of the documents might be linked to the disgraced financier Mr Mario Conde, who currently faces charges after being removed from the chairmanship of the Banesto banking group a year and a half ago. The newspaper named a former intelligence officer who it said was thought by the Cesid to be behind the leak, and who was suspected of supplying the documents to Mr Conde.

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Russians 'take Chechen base'

Russian officials claimed yesterday to have captured Shatoi, the mountain village which was the last major stronghold of Chechen separatists. Russian military officials had said the seizure of Shatoi, some 50km south of Grozny, the Chechen capital, would break the unified command structure of the Chechen resistance and reduce the Chechens to disorganised guerrilla operations. Military officials quoted by Itar-Tass, the official government news agency, said Shatoi fell to Russian forces after a sustained assault over the weekend, using tanks and aircraft.

The apparent capture of Shatoi could prove a big setback for the separatists, who had said their mountain bases would be more difficult for Russian forces to penetrate than the lowland towns, but it is unlikely to bring a quick end to the six month war. In an interview over the weekend Mr Dzhokhar Dudayev, Chechen separatist leader, remained defiant, and Russian officials warned Chechens might launch a terrorist campaign within Russia if they felt they were losing the battle on their own territory. *Chrystia Freeland, Moscow*

Bomb injures German politician

A letter bomb mailed from Austria by suspected right-wing extremists injured a German politician when it exploded in his hands yesterday at the town hall of the northern city of Lübeck. It was the second letter bomb in Germany in a week. Police said Mr Thomas Rother, manager of the Social Democrat (SPD) faction in the municipal assembly, was taken to hospital with severe hand injuries. The letter was addressed to Mr Dietrich Szameit, Lübeck's deputy mayor. The SPD suspected the party had been targeted for taking a firm line against the radical right after a firebomb attack on Lübeck's synagogue last year.

German authorities also suspect right-wing extremists of sending a letter bomb which exploded last Friday at a private television station in Munich, injuring a colleague of Austrian-born talk show host, Ms Arabella Kiesbauer, daughter of Ghanaian and German parents. Initial investigations point to a link with a series of letter bomb attacks in Austria in October 1994. *Reuter, Lübeck*

Russians protest over wages

More than 2,000 workers yesterday blocked the streets of Yekaterinburg, one of Russia's biggest industrial cities, in a protest over unpaid wages. Workers at Vektor, an air defence equipment manufacturer, have not been paid since February because government arrears have created a financial crisis at the factory. Yesterday's demonstration, which paralysed central Yekaterinburg, underscores the political and economic dilemma facing the Russian government. In an effort to stabilise the economy and bring down inflation, Moscow has imposed tough fiscal and monetary restraints on government spending, which yesterday helped push the rouble to a 12-week high against the dollar. But the price of this austerity has been the government's failure to pay its debts to many Russian enterprises.

Moscow faces a choice between continuing strict fiscal policies, and risking an outbreak of social unrest in the run up to December parliamentary elections, or loosening the treasury's purse strings and jeopardising economic stabilisation. Yekaterinburg officials yesterday sent a telegram to the defence ministry urging it immediately to pay its Rbs30bn debt for delivered products. Vektor has sent 1,500 employees on compulsory unpaid leave, and workers are threatening further protests. *Chrystia Freeland, Moscow*

FDP in Shell petrol boycott

Germany's Free Democratic party, the junior partner in Chancellor Helmut Kohl's coalition, has ordered that party vehicles should not be refuelled at Shell service stations in protest at the oil company's planned sinking of the Brent Spar oil platform off the coast of Scotland. Mr Hans-Rolf Goebel, of the FDP, said yesterday the order was given by Mr Guido Westerwelle, the party's secretary general. Several members of the Christian Social Union, Bavarian sister party to Mr Kohl's Christian Democrats, have also said they will not use Shell stations.

The obsolete Brent Spar platform, owned by Shell UK Exploration and Production, is being towed from north-east of the Shetland Islands to a disposal site 240km west of Scotland. Environment groups say the platform will poison the sea, although Shell says it has removed potentially polluting material. Mr Theo Waigel, finance minister, and Mr Edmund Stoiber, Bavaria's governor, said a solution must be found to prevent future sinkings. Mr Peter Duncan, German Shell chairman, said on Monday the platform issue was "a very uncomfortable problem" that was hurting revenues. He did not give specific figures, but Shell stations in Hamburg have reported a 10-20 per cent drop in business. *AP, Frankfurt*

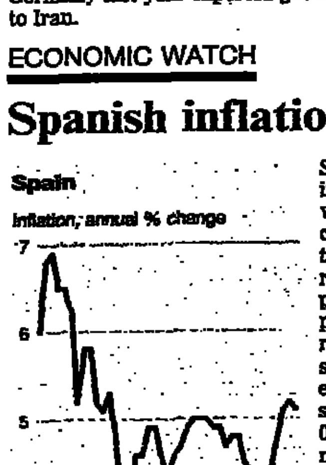
Germany bars Iranian rebel

Germany, which is Iran's biggest trading partner, yesterday refused entry to Ms Maryam Rajavi, leader of Iranian National Council of Resistance (NCR), saying it could not allow her to plot the violent overthrow of the Tehran regime from German soil. The foreign ministry said the interior ministry had been asked to turn back Ms Rajavi, who is based in Paris, when she reached the German border.

It said Ms Rajavi, who was elected Iran's president-in-exile by the Iranian resistance in 1993, regards herself as deputy commander of the National Liberation Army, an NCR armed force based in Iraq, and was planning to encourage supporters to bring about the violent overthrow of Iranian government at a rally in the German city of Dortmund planned for Friday. Germany last year exported goods worth of DM2.58bn ($1.79bn) to Iran. *Michael Lindemann, Bonn*

ECONOMIC WATCH

Spanish inflation marks time



Source: Datastream.

Spain's inflation performance improved slightly in May, with no change in the consumer price index over the month. But the annual rate remained above the psychological threshold of 5 per cent for the third month running. The May figure, somewhat better than expected, reflected a largely seasonal fall in food prices of 0.5 per cent. Over the past 12 months inflation stood at 5.1 per cent, compared with 5.2 per cent in April. The recent upsurge brought a sharp warning from the Bank of Spain earlier this month, when it lifted its benchmark interest rate from 8.5 per cent to 9.25 per cent, the third increase this year. The bank left the rate unchanged yesterday. The economy ministry took an optimistic line, saying there were "solid grounds" to expect further reductions in inflation over the remainder of the year. However, concern has been increased by a sharp rise in factory-gate prices, which have accelerated from a 12-month rate of 3.9 per cent in August last year to 7.4 per cent in April. *David White, Madrid*

■ Dutch consumer prices in May fell 0.2 per cent from April but were up 2.1 per cent year-on-year, the central bureau for statistics said.

■ Norway's trade surplus fell to NKr3.24bn ($522bn) in May, from NKr4.89bn a year earlier, said the state statistics agency.

■ Swedish unemployment fell to 6.8 per cent in May, from 7.2 per cent in April, the central statistical bureau reported.

Madrid reclassifies subsidies as part of restructuring package

Brussels to probe Seat aid

By Emma Tucker in Luxembourg and Tom Burns in Madrid

The European Commission yesterday announced it was opening an investigation into Pta46bn ($380m) of state subsidies paid to Seat, Volkswagen's loss-making Spanish subsidiary. It believes the payment could be illegal under EU competition rules.

However, in a move which could win Spain a reprieve, the Madrid government yesterday agreed to reclassify the payments and show they formed part of a restructuring package aimed at putting the company get back on its feet.

This will allow the Commission to examine the aid under EU guidelines that sometimes allow state aid to be paid, provided its purpose is to rescue and restructure companies in difficulty.

Spain had previously argued that the aid was made for research purposes, unwilling to admit that the company was in trouble, but Brussels was suspicious. "If we didn't investigate other carmakers, the US, everyone, would have started to make a fuss," an official said yesterday.

Madrid must now officially renotify the Commission of the aid payment after which it and all other parties concerned, including the companies and competitors, will have a month to make their submissions to Brussels.

The inquiry into Seat had been agreed by the Commission last Wednesday, when the government was given a week to produce a restructuring document tailored to Brussels' requirements.

Although such a document has still not been drafted, industry ministry officials said the clash over Seat with Mr Karel Van Miert, the competition commissioner who ordered the investigations into the subsidies, should not be "over-dramatised" as there was now agreement with Brussels over the procedure that should be followed.

The Pta46bn aid package, most of which has already been forwarded to Seat, was agreed in last July as Seat teetered on the brink of bankruptcy following losses of Pta151bn in 1993.

At issue is the original presentation by the Spanish authorities of the package as support for developing future Seat models and the fact that Pta38bn of the funding had already been advanced in the form of a bridging loan financed by ICO, the state credit institute, and by the Institut Català de Finances, the credit agency in Catalonia where Seat is located.

The onset of the Brussels probe in effect forces the industry ministry to admit that the funding was weighted towards bailing out Seat. Last Friday Spain informed the Commission that the aid formed part of a 1993 restructuring programme under which the Spanish authorities provided grants in support of technological investments, modernisation, rationalisation and training.

If Brussels concludes that the payments break EU guidelines Seat could be forced to return those it has already received and thus undermine a recovery which has reduced net losses by nearly 80 per cent to Pta29.4bn last year.

The probe, along with the reclassification of the subsidies, could finally bring into the open an apparent divergence between the authorities in Madrid and Barcelona and the VW board in Wolfsburg over the future of Seat. Spanish officials have been at pains to secure Seat's trademark and independent technology – the company, formerly state-owned, is the flagship of the domestic motor industry – while the German parent is understood to want to scale it down and possibly absorb it wholly into the group.

Van Miert renews attack on Franco-German telecoms link

By Emma Tucker in Luxembourg

Plans by two of the world's biggest telecoms companies France Télécom and Deutsche Telekom to form an alliance, yesterday came under renewed attack from Mr Karel Van Miert, the EU competition commissioner. He said France and Germany still had a long way to go in liberalising their domestic markets before Brussels could approve the deal.


Van Miert: German liberalisation too slow

At a meeting of EU telecoms ministers in Luxembourg, Mr Van Miert praised France for bringing forward plans to liberalise all potential telecom infrastructures – including the national rail network – but criticised Germany for moving too slowly.

Germany has indicated that while competing telecoms companies will be allowed to build their own infrastructures, they will not be allowed to use the existing national telecom network or the so-called alternative infrastructures until 1998 – the date set for full telecoms liberalisation in the EU.

Mr Van Miert's doubts about the alliance, known as Atlas, centre on the fact that neither the German nor French domestic telecoms markets have been liberalised and that the alliance could increase the operators' dominant positions in their countries.

However, Mr Van Miert, who yesterday held private discussions with the French and German telecoms ministers, said Atlas had "substantially" modified its proposals.

These redrafted proposals have yet to be formally presented to the Commission for vetting by its competition authorities. Mr Van Miert is also waiting for notification of a further alliance between Atlas and Sprint, the third largest US long-distance carrier. Mr Van Miert felt sure the US competition authorities would have similar reservations about this venture, to be known as Phoenix.

"There is a likelihood that when the deal has been finally notified, the US authorities will heavily insist on the opening up of the domestic German and French markets," he said.

At the council meeting yesterday, ministers also discussed a regulatory framework for telecommunications in the EU after liberalisation in 1998.

They were addressing the fear among telecoms companies that competition will be ineffective without proper rules to ensure that competing companies are treated fairly in cross-border deals.

The new rules – to be drawn up by the Commission before the end of the year – will focus on the granting of licences, fair access to networks and the maintenance of a basic telephone service for everyone after liberalisation.

The Commission favours the idea of a pan-EU authority to deal with trans-border disputes, worried that national telecoms regulatory authorities will apply the law unevenly.

However, the council of ministers is wary of seeing further powers drift to Brussels, and a resolution adopted yesterday suggests that the settlement of disputes should be left to national regulatory authorities, after a set of principles has been agreed at EU level.

Ministers also backed a resolution to speed up the liberalisation of infrastructures for mobile telephone operators. However, the Commission has already drafted a directive which aims to prise open mobile infrastructures. It intends to do this under Article 90 of the Rome Treaty, which allows the commission to force through legislation without a vote from the council of ministers.

Capitalist vow by Russia, China

By Chrystia Freeland in Moscow

Russian and Chinese officials vowed yesterday to reverse the decline in trade between the two reforming communist giants by adopting a more capitalist way of doing business.

Mr Li Lanquing, attending the third session of a joint Sino-Russian economic commission in Moscow, said Russia and China should abandon the barter deals which characterised the trade relationship before Soviet communism collapsed.

Instead, Mr Lanquing said trade between Moscow and Beijing should be regulated according to western-style contracts and conducted in hard currency.

The attempt to introduce capitalism into the trading relationship between the world's erstwhile leading communist states shows how profound the shift in domestic policy has been in both countries.

In the past, the Sino-Russian relationship fluctuated between co-operation in the shared struggled against the capitalist west and a rivalry for pre-eminence in the communist world.

Today, as both countries, in varying ways, are seeking to move towards the market, they have become rivals in the effort to attract western capital. Tension between the two, particularly along their border, has taken on a decidedly economic tone as Russians in the Far East fear competition from more aggressive Chinese traders.

The Sino-Russian economic commission is an attempt to reduce these hostilities and find ways to stimulate trade, which has slumped as both countries struggle to adjust to the market economy.

Mr Oleg Davydov, the Russian deputy prime minister, who represented Moscow at the talks, said he was confident a more capitalist relationship would help to boost trade. This year's trade turnover was likely to reach $5bn-$5.5bn.

Mr Davydov hoped the export of Russian technologies to China would increase. In addition to 17 existing Russian projects in China, Mr Davydov lobbied his Chinese counterparts to award Russian companies a role in the construction of the San Xia hydro-electric power plant, planned to be the world's largest.

Moscow's effort to improve its trading relationship with China also reflects a wider shift in Russia's trade policy. Many Russian companies, which still rely on outmoded Soviet technology, have been frustrated by their failure to capture a substantial share of western markets, leading to accusations of western protectionism in some Russian circles.

But the general failure of Russian companies to win big western clients has persuaded many businesses to shift their focus back to the former Soviet Union's traditional trading partners.

In addition to yesterday's efforts to increase Sino-Russian trade, this trend has also inspired Russia's controversial decision to sell nuclear reactors to Iran and its attempt to reopen trade with Iraq.

Uphill struggle for FDP leader

Judy Dempsey on Gerhardt's chances of success at the party helm

Germany's Free Democratic party has a small biographical handbook of its parliamentary deputies. The sketches are in two sections: age, including marital status and hobbies, and political career.

Mr Wolfgang Gerhardt, 51, who was elected at the weekend to lead the FDP, is there in the book, but there is nothing about how he spends his leisure time. This chimes with the view of him held by many in the party – even those who voted for him at the weekend – as a somewhat colourless but worthy politician.

"We know he does not shine on the party platform," said a close friend. "But he is loyal to the party and he is a team player. He works hard."

Mr Gerhardt, who joined the FDP in 1965 and who has been elected to the state parliament of Hesse intermittently since 1978, needed a lot of energy to pull the party back into the Hesse assembly after 1982. That was when the FDP withdrew from the federal government coalition led by the Social Democrats and switched allegiance to Mr Kohl's Christian Democratic Union.

The voters of Hesse did not forgive the FDP. It got 3.1 per cent of the votes that year. But a year later, a determined Mr Gerhardt, by then party head in the state, pushed the FDP's share of the vote up to 7.6 per cent. The party is still in the parliament, one of the few legislatures in which the FDP is still represented.

'He will not be under the cloud of Chancellor Helmut Kohl, who tolerates no dissent among his coalition partners'

The question is whether Mr Gerhardt's success in Hesse can be carried over to the four elections – in Berlin, Schleswig-Holstein, Rhineland-Palatinate and Baden-Württemberg – in the next 10 months.

Mr Gerhardt says he has a strategy for saving the party, which has lost 11 state elections over the past 18 months. Since he is not a minister, unlike his predecessor Mr Klaus Kinkel, the foreign minister, he will have, in the words of another close colleague, "a much freer hand now... He will not be under the cloud of Kohl, who tolerates no dissent among his coalition partners."

But is it too late to reverse the party's fortunes?

The parliamentary deputies and the executive committee are far removed from the grassroots membership of the party, where disillusionment is widespread, as Mr Gerhardt admitted. And with dwindling membership (just over 81,000) and loss of morale, delegates to the party conference were sceptical he could win back voters who have transferred their allegiance to the Greens.

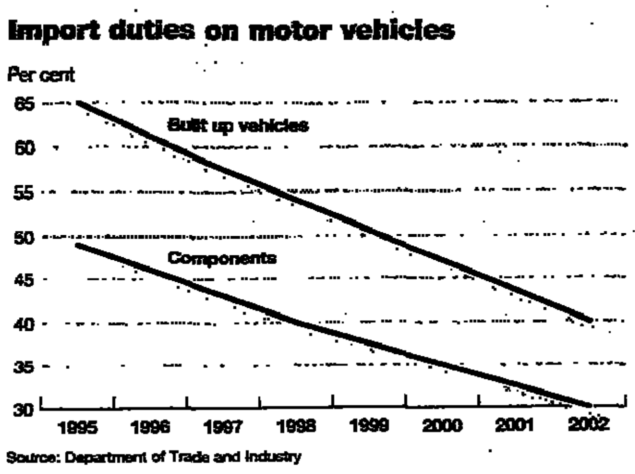
Mr Gerhardt must also prove that the FDP is still needed in German politics. Its traditional role, not only as kingmaker but as a check on both left and right, was important until the mid-1970s. But the strong personality of Mr Hans Dietrich Genscher, the then foreign minister and party leader, meant that the FDP relied on him while neglecting the rank and file and defending its libertarian policies. The Greens exploited this neglect, while the FDP believed that personalities alone would ensure the party's success.

Mr Gerhardt is no shining personality, unlike the popular Mr Guido Westerwelle, the party's 33-year-old general secretary, who is supported by the younger generation. According to a close adviser, Mr Westerwelle, who is being groomed to take over the leadership in two years, "will try to motivate the party with his enthusiasm and youth, while Gerhardt will sharpen the party's identity on the national and parliamentary level".

But this team, backed by some genuine liberal voices, including Ms Cornelia Schmalz-Jacobsen, one of the new deputy leaders and a staunch advocate of more rights for foreigners, may well be swimming against the tide. The party is divided between liberals and conservatives, between those who hanker after a genuine liberal party – even if it means breaking with the coalition – and those who favour a strong conservative-based platform.

Mr Gerhardt has little time to spare. Just as there will be little time for leisure.

South Africa set to cut tariffs on vehicles and textiles



By Roger Matthews in Cape Town

South Africa has taken an important first step towards opening two of its most heavily protected industries to greater international competition.

Mr Trevor Manuel, minister of trade and industry, has announced a package of measures affecting the automotive and clothing and textiles industries which will progressively reduce tariffs on a range of products.

The government has been subjected to intense lobbying from some employers and unions fearful of the consequences of reduced tariffs but Mr Manuel said after meeting industry representatives that the discussions had ended without acrimony. "These are the two hardest industrial sectors to deal with and the discussions on our proposals ended without any blood on the floor," he said.

The clothing and textiles industry has been given one month to respond to the minister's proposals, while a task group has been formed with the motor industry and a target date of September 1 set for implementing the new tariff structure.

A recent report by the Monitor Company into South Africa's international competitiveness showed that vehicle prices in South Africa were between 30 per cent and 90 per cent higher than for equivalent products sold in the US. Mr Manuel is planning to cut the import duty on cars and commercial vehicles from the current 65 per cent to 40 per cent in 2002. The import duty on components would be reduced over the same period from 49 per cent to 30 per cent.

Motor vehicle manufacturers will be entitled to a 27 per cent duty free allowance on all parts to be used as original equipment, instead of the 35 per cent originally proposed. There is to be no minimum local content requirement.

By opening the industry to international exposure Mr Manuel is hoping to promote greater efficiencies of scale. South Africa's seven vehicle assemblers and manufacturers typically produce 12 models in a single plant, compared with an average of two models in Mexico and three in the US.

The average length of a model run in South Africa is 6,500 units, compared with 59,000 in Mexico and 129,000 in the US. One result is that it takes more than three times the number of labour hours to produce a car in South Africa than it does in the US.

For commercial vehicles, Mr Manuel has proposed discontinuing all excise duties and applying an initial customs duty of 40 per cent on completely built-up vehicles which will be progressively cut to 20 per cent by July 1, 2000.

Mr Manuel said the new tariff structure for clothing and textiles had been adopted because pressure had to be put on the industry to restructure. "The next four years will be critical for the textiles industry," said Mr Manuel. "If they do not move quite soon to be more competitive then they are going to die." The clothing sector is viewed as being more internationally competitive.

A complex series of measures has been proposed to bring down ad valorem tariff rates over the next eight years, and specific duties over a four-year period, with the possibility of a one-year extension. Typically the tariffs on household textiles would decline over eight years from 55 per cent to 30 per cent, fabrics from 45 per cent to 22 per cent, yarn from 32 per cent to 15 per cent, polyester fibre from 25 per cent to 7.5 per cent and clothing from 90 per cent to 40 per cent.

Polls show most Israelis against withdrawal from Golan

Likud intensifies its opposition to peace

By Mark Dennis in Jerusalem

Israel's rightwing opposition stepped up efforts to derail Middle East peace yesterday, promising to fight recent advances in negotiations with Syria and the Palestine Liberation Organisation.

Mr Binyamin Netanyahu, leader of the opposition Likud party and potential future prime minister, said he would not sign a peace agreement with Syria involving a withdrawal from the Israeli-occupied Golan Heights and reiterated his call for a referendum on the move. At the same time, hundreds of Jewish settlers seized a block of vacant houses in the occupied West Bank to protest at planned Israeli military redeployment away from Palestinian towns.

Mr Netanyahu said Israel should not consider withdrawing from the strategic plateau, which he described as vital to the country's military and water security needs, until there is a change of regime in Damascus. He said the current state of "almost perfect non-belligerency" between the two countries should continue until Israel receives assurances that Syria really wants peace. Israel can afford to wait, he said, because Syria "is in no position to start a war".

Opinion polls show a majority of Israelis oppose relinquishing the Golan. The same polls give Mr Netanyahu a slight lead over Prime Minister Yitzhak Rabin in the race for prime minister.

Israeli and Syrian military leaders are due to start negotiations at the end of the month. At issue are demilitarised zones, early warning stations and other security-related points.

The US is pushing the talks and President Bill Clinton has indicated he might come to the region to finalise a peace agreement.

Observers say a peace deal between Israel and Syria will need to be completed by early next year, before American and Israeli election campaigns hit full stride.

In a related development, Syria-dominated Lebanon yesterday said it expects to open peace talks with Israel within two months.

The settlers' protest is the first volley in what they call "Land of Israel First" – a civil disobedience campaign designed to check Israeli plans to transfer control of several West Bank towns to the PLO. The settlers occupied 13 empty houses, built a decade ago for Jewish settlers, at dawn yesterday. "We will ensure that any attempt to remove Jews from their homes will be as traumatic as possible," Mr Yechiel Leiter, a settler leader, told Israel Radio from the protest site yesterday.

Most of Israel's 120,000 settlers want to retain all of the West Bank and intend to fight any Israeli withdrawal. Israeli and PLO negotiators are hammering out details ahead of the July 1 deadline to announce a timetable for withdrawal.

Israeli settlers seize one of 13 deserted houses in the occupied West Bank yesterday *Reuter*

Workers' rights abused in record 98 countries

By Robert Taylor, Employment Editor

The number of countries where workers' rights were violated rose to 98 last year, the highest total so far recorded, according to the International Confederation of Free Trade Unions, which published the figures yesterday.

The Brussels-based organisation represents trade unions around the world. Its annual survey provides the most comprehensive estimate of abuses of labour standards.

It estimates that last year 528 workers were murdered in 17 countries as a result of trade union activities, while a further 1,983 were injured and 4,353 arrested or detained.

However, the number of workers dismissed because of involvement in trade unions fell to 66,029 last year from 76,044 in 1993.

The largest number of killings of trade unionists took place in Algeria, where more than 300 died, followed by Colombia, with at least 178 violent deaths.

The confederation believes that among other worst offenders against workers' rights last year were China, Cuba, Sudan, Indonesia, Nigeria, Pakistan, Dominica and Honduras. But the report said that there had been a marked improvement in South Africa, Haiti and Chile.

The report says the global statistics show a "disturbing trend" with a "general erosion of respect for human rights worldwide". Over the past three years there had been a 65 per cent increase in repressive government action against organised labour, with 323 recorded cases of state interference and 250 where legal measures have been taken against trade union activities.

Mr Bill Jordan, the confederation's general secretary, yesterday said that while the number of repressive dictatorships had declined in 1994, a new trend had emerged where power was being transferred increasingly "to uncontrolled and unbridled free market forces and large financial trusts that control them, often with the collaboration of local political leaders".

The report claims a "growing anti-union offensive" has been launched across many parts of the world. "In many countries government authorities are active collaborators in the exploitation of workers by both local and multinational employers," it says.

Israel approves $560m package to expand airport

By Mark Dennis

Israel said yesterday it had approved a $560m (£350.2m) funding package to expand its airport as part of a $1.9bn investment plan to upgrade trade infrastructure and turn itself into a regional trade and transportation hub.

The Israel Airports Authority said the government economics committee had approved a $560m first stage expansion of Ben Gurion International Airport to increase both passenger and freight capacity. The airport package follows an announcement earlier this month that Israel would invest $1bn over the next 15 years to expand the Mediterranean ports of Haifa and Ashdod.

The airport expansion will take place in three stages, designed to increase the capacity of the airport to 16m passengers a year by 2013. At present, the airport handles more than 6m passengers a year in a terminal designed for 4.5m.

The first stage should be completed by 1998 and a further $340m will be invested for the second stage at the end of the decade. Contracts worth $39m for the design work of the terminal and related infrastructure have already been awarded to US companies.

Since 1991 airport traffic has steadily increased – up 15 per cent this year alone. The Israel Airport Authority expects this trend to continue as peace makes Israel and the Middle East a more desirable tourist and business destination and Israel becomes a regional gateway for multi-destination tourist holidays and a possible transit stop for long-haul flights from Europe to the Far East.

The project will be self-financed by the IAA, according to Mr Yitzhak Cohen, an IAA official. Half of the $560m will come from operating revenue with the rest from an unspecified loan and bond package. US loan guarantees worth $10bn over six years will back $150m of the financing.

Clinton lays down budget challenge

By Jurek Martin in Washington

President Bill Clinton was set last night to offer his first formal challenge to Republican domination of the debate on how best to balance the federal budget.

Mr Mike McCurry, White House press secretary, said Mr Clinton "believes that within a decade you can balance the budget consistent with his priorities and address what he sees as the negative consequences" of current Republican plans.

The White House, in the person of Vice President Al Gore, asked the commercial television networks for about five minutes of prime evening time to broadcast an address by the president. Normally such a request is conveyed by middle-ranking officials.

The brief time requested does not suggest the president will use the occasion to present a detailed long-term budget plan. But Mr Clinton, goaded by the Republicans for weeks for his refusal to match their hard proposals with his own, has recently hinted, over staff objections, that he is willing to offer some relatively concrete alternatives to achieve a balanced budget.

A weakness in his position all year, effectively exploited by the Republicans, is that his own budget, presented in February, outlined no path to eventual balance, but predicted continued deficits of about $200bn a year for the foreseeable future.

The differences with the Republicans in Congress are, nonetheless, likely to remain substantial. As Mr McCurry implied, the president seems to be thinking in terms of a 10-year plan, whereas the thrust of legislation in both House and Senate seeks balance by the year 2002.

In his Sunday New Hampshire debate with Congressman Newt Gingrich, the Speaker, Mr Clinton argued that savings on the health budget might be achieved over a longer period than envisaged by the Republicans. He advised against premature enactment of deep cuts in the Medicare programme when there was such volatility in healthcare inflation.

The president is almost certain again to make the case for smaller tax cuts than the Republicans and he may even scale back the $63bn reduction he advanced earlier this year. The House Republican plan calls for a seven-year $350bn reduction, while the Senate version is for a conditional $170bn, to be applied only if a firm balanced budget plan is agreed.

Mr Clinton can be expected to attack "corporate welfare" on the grounds that budget-cutting should not principally affect the aged and the poor.

Mr Robert Reich, labour secretary, is among those who have pointed to savings of over $100bn that could be achieved by closing corporate tax loopholes and ending some federal subsidies to the private sector.

Some administration officials have urged the president to come out in favour of a ceiling on home mortgage tax deductions. But that carries clear political risks for his re-election campaign next year.

Energy research warning

By Robert Corzine

The US will be more vulnerable to disruptions in global oil supplies if there are further steep declines in government-sponsored energy research and development, according to a report published in Washington yesterday.

The report, compiled by senior energy industry executives and prominent academics for the Department of Energy, said some "prudent reductions are possible" in the department's $2.5bn annual research budget.

However, large cuts could imperil the country's ability to "shape an energy future which is sustainable over the long term".

Federal spending on energy R&D has fallen 75 per cent since the late 1970s.

It predicted "growing stress" in world oil markets if US dependence on petroleum imports grows, as expected, from around 50 per cent to 60 per cent by 2010.

Energy R&D: Shaping Our Nation's Future in a Competitive World; Secretary of Energy Advisory Board, US Department of Energy, Washington.

Exit Iron Lady of the Caribbean

Eugenia Charles: tough on her Caribbean colleagues

Canute James on the end of Dame Eugenia's 15 years as prime minister of Dominica

Mr Edison James, a 51-year-old agriculturalist, is to be sworn in this week as the new premier of the island of Dominica, bringing to an end the political career of the "Iron Lady of the Caribbean".

As well as ending the 15-year reign of Dame Eugenia Charles as premier of this eastern Caribbean island, Monday's election also pushes the Freedom party, founded by Dame Eugenia 27 years ago, into opposition for the first time in a decade and a half.

Preliminary election results yesterday gave Mr James' United Workers party 11 of the 21 seats contested, with the others shared evenly by the Freedom party, now led by Mr Brian Alleyne, and the Labour party, led by Mr Rosie Douglas.

Dame Eugenia, 76, prime minister since 1980, exercised an influence on the region which belied the size of the 305 square mile island.

She attracted international attention when she appeared in Washington beside President Ronald Reagan in 1983 as he announced the controversial US invasion of Grenada, Dominica's neighbour. Her support for the invasion was attacked by several Caribbean leaders, yet it was never simply the case of a small island bowing to Washington's wishes.

Last December, as leaders from the Americas gathered in Miami for an economic summit at President Bill Clinton's invitation, Dame Eugenia was among regional leaders indicating they might not attend unless the trade in bananas, the pillar of Dominica's economy, was put on the agenda. In the end, the US conceded.

She had not planned to follow her father, a planter, into politics, and appeared headed for a career in law after being called to the bar in London in 1947. But she changed her mind 27 years ago after a series of acidic letters to local editors led to what she said was an attempt to muzzle her.

"As a taxpayer I had the right to say that my money was not being properly spent," she says. "The letters did not please the authorities, so they planned a law to prevent me speaking out." This led her to form the Dominica Freedom party in 1968 and become a legislator two years later.

An impression of toughness, leading to her being called the "Iron Lady", was acquired in her first term as prime minister in the early 1980s. She declared a state of emergency after reporting two attempted coups against her administration, then disbanded the army, whose commander was executed.

"Dame Eugenia was never one just to cut roses in her garden," said Mr John Compton, prime minister of St Lucia. "She has been devoted to regional unity. She has provided leadership and guidance during some of the most turbulent periods of the region."

Yet Caribbean colleagues will hardly forget her trenchant criticism of their lack of willingness to implement at home the many agreements they had reached in regional forums.

Dame Eugenia leaves office with one central question unanswered about Dominica's economic future. Mr James, the incoming premier, said yesterday his priority was increasing employment on the island. But this still depends largely on one single crop and the island's preferential access to the EU for its bananas is still under sharp attack by Latin American exporters and the US.

Summers named for treasury job

By Jurek Martin

Mr Larry Summers, one of the Clinton administration's most visible economic policy-makers, was yesterday named as deputy secretary of the US treasury, following the resignation of Mr Frank Newman.

His nomination is subject to confirmation by the Senate and could be controversial.

Some Republicans may use the hearings to press Mr Summers, now under-secretary for international affairs, on this year's Mexican financial rescue, much criticised in Congress, and how much the administration knew of Mexico's financial difficulties ahead of the collapse of the peso last December.

Mr Newman took over from Mr Roger Altman last September after he had been forced to resign in connection with the Whitewater investigations.

Previously under-secretary for domestic affairs, Mr Newman cited "personal considerations, including my recent marriage," for his decision to return to the private sector.

Mr Summers, still only 40 and a Harvard professor when just 28, was a candidate earlier this year to be next president of the World Bank, at which he served as chief economist from 1991-93. But that position went to Mr James Wolfensohn.

He had also been mentioned in connection with vacancies on the Federal Reserve Board.

Mr Robert Rubin, the treasury secretary, issued a statement highlighting the central policy role played by Mr Summers on a host of issues - including the G7 summits, trade, foreign investment and exchange-rate policies and financial assistance to Russia as well as to Mexico.

Prior to the Mexican dénouement, perhaps his greatest external attention had been devoted to Russian reform and assistance.

The range of his interests and his powerful personality helped re-establish the treasury as a force in international economic policy-making.

Occasionally this involved sharp disagreements with other departments of the administration.

He objected strenuously earlier this year when Mr Mickey Kantor, trade representative, and Mr Ron Brown, commerce secretary, suggested that a weak dollar might help the US in its trade disputes with Japan.

Menem backs Cavallo claims

By David Pilling in Buenos Aires

President Carlos Menem has moved to bolster his economy minister, Mr Domingo Cavallo, who has become embroiled in a damaging battle with Congress over intellectual property rights legislation.

In an emergency meeting on Monday night, Mr Menem persuaded Congress representatives to pass within 30 days a new law that would override some articles included in legislation passed last month.

Mr Cavallo said legislation as it currently stood would sully Argentina's reputation as a trustworthy destination for investment. It would do "tremendous damage to the country", he said.

So heated has the debate with Congress become that Mr Cavallo was last week forced to deny resignation rumours, and accused some officials of the governing Peronist party of angling for his dismissal.

In Monday night's meeting, Mr Menem also won the assurance of Congress that it would deal quickly with pending labour legislation, which Mr Cavallo deems essential to reduce unemployment and raise competitiveness.

Mr Cavallo must also seek to overcome unfortunate remarks he made last week suggesting Argentina was in recession. The minister's comments, used to justify disappointing tax receipts, contributed to panic on the Buenos Aires stock market, which slid by 10 per cent in two sessions.

Mr Cavallo has since backtracked, saying he was referring to a decline in consumer demand. In fact, he said, early estimates suggested first-quarter growth was as high as 3.4 per cent.

Some economists believe Argentina is in danger of sliding into a vicious cycle of inadequate tax receipts, more budget cuts, less growth and consequently yet lower tax receipts. "There are some fiscal problems," Mr Cavallo admitted, especially on the tax side. But the inflow of nearly $2bn since Mr Menem's election victory last month would restore credit, helping to push up growth and tax receipts in the second half, he said.

Mr Cavallo sharply disputed recent market speculation that Argentina might struggle to meet this year's payments of $5.2bn in maturing debt and $4bn in interest payments.

Bitter pill, Page 6

Kono urges top-level talks on car dispute

By William Dawkins and Quentin Peel in Tokyo

Mr Yohei Kono, the Japanese foreign minister, yesterday called for urgent new efforts to break the deadlock in the car dispute between the US and Japan.

He proposed further top-level talks both before and after this week's economic summit of the Group of Seven industrialised nations in Halifax, Nova Scotia, to defuse the trade row. The US is threatening to impose punitive tariffs on $6bn of Japanese luxury car imports. Although Mr Kono said he did not think the dispute would affect "the entirety of our bilateral relations," senior Japanese officials warned that a prolonged deadlock might harm the wider relationship.

Mr Kono's plea came after a day of talks in Geneva broke down in deadlock on Monday night, after Japan complained to the newly-formed World Trade Organisation over the US threat of sanctions.

The Japanese government is confident that the WTO would decide in its favour, but officials warned that such a ruling would not satisfy either side.

Mr Kono expressed doubt about the chances of reaching any settlement before the G7 summit, where President Bill Clinton and Mr Tomiichi Murayama, the Japanese prime minister, are due to meet for a last-ditch attempt at an agreement.

"Since the whole world is paying attention to this, we feel we have to come up with a solution," the foreign minister said. "We only have two or three days remaining (before the summit). There will have to be talks before and after it.

"A good relationship is not something that exists on its own without the people involved making great efforts," said Mr Kono. "We have been making efforts and we shall continue to do so."

The sticking point between the two sides remains Japan's refusal to accept US demands for a government-guaranteed numerical increase in imports of car parts. "We have been saying that is outside the government reach," he said.

Japanese officials added that a deal would be possible if Washington dropped its insistence on a precise increase in imports underwritten by Tokyo. They say Japan is not considering counter-sanctions.

The bitterness in the latest trade dispute has aroused growing concern in the Japanese government, fearful that public opinion in both Japan and the US may challenge their traditional unquestioning alliance. Yet ironically, Japanese officials warn that any concession to the US might also provoke an anti-American backlash in Japan.

"If we keep on caving in to the US at whatever cost, it would undermine national support for the Japan-US alliance," one senior official said.

Japan is less able to accommodate US demands than in previous trade disputes, he said. Japan could no longer reach an agreement with the US at the potential expense of its trade partners in Europe and the rest of Asia.

Japan is insisting that any market-opening measures agreed with the US should be equally available to all its trading partners, on a most-favoured-nation basis.

Ruggiero fears over financial services

By Nancy Dunne in Washington

Mr Renato Ruggiero, head of the World Trade Organisation, yesterday said failure to reach a trade agreement on financial services by June 30, as scheduled, would present a worse threat to the multilateral trade system than the US-Japan dispute over cars trade.

"There have been problems in the past and there will be problems in the future," he said of the US-Japan clash. The dispute over cars will be resolved either by negotiation – which he would prefer – or by the WTO dispute settlement system.

Agreement could not be reached on financial services when the bulk of the Uruguay Round was completed in December 1993. The contracting governments agreed to negotiate for 18 months more.

Thus far 80 countries have submitted offers. But the US says that, overall, they are inadequate and unless they improve, the US will not sign the financial services agreement. It would then turn to negotiating market openings on a bilateral basis.

This would endanger the progress made in the Uruguay Round, Mr Ruggiero said. "No one knows what will happen," he said. The EU has threatened to "scale down" its own offer, and Japan could do the same. Failure of the financial services negotiations could negatively affect talks to liberalise basic telecommunications services due to be completed next year.

Mr Ruggiero said he would keep the pressure on for better commitments.

US asks Japan to halt bias by trade bodies

By Nancy Dunne

The US Justice Department is urging the Japan Fair Trade Commission to prohibit blacklists, direct and indirect boycotts and other discriminatory practices by Japanese trade associations which exclude foreign companies from the Japanese market.

The department's comments were requested by the commission which is considering new anti-monopoly guidelines for trade groups. Japan's 1,500 trade associations cover about 90 per cent of the nation's market. Much foreign criticism that the Japanese market is resistant to imports is laid at their door.

In March, Japan announced a deregulation programme which included a pledge to "prevent thoroughly all violations of the anti-monopoly act by industry associations". In the past decade, more than a third of the violations found by the JFTC were committed by industry associations.

The Justice Department says the proposed guidelines do not adequately address actions that exclude imports in relation to government-set standards and certification activities, blacklists, boycotts, discrimination in association membership and participation in decision-making bodies. Associations have not conducted their activities transparently and opened them to all affected.

However, the department conceded that the JFTC had made substantial efforts in its proposed guidelines, and that they represent a significant improvement over the 1979 guidelines.

The JFTC cannot alone stamp out anti-competitive practices, the department says. All Japanese government agencies which oversee the activities of trade association "must fully co-operate".

Argentines spit out bitter patents pill

'Pirate's charter' versus 'abusive prices'. **David Pilling** reports on the drug patents battle

When Mr James Cheek, US ambassador to Buenos Aires, disparagingly referred to proposed Argentine legislation on patents protection as "befitting low-income countries", he could not have known what anger he would cause.

His comments were made earlier this year when Argentina's Congress, roused by nationalist sentiment and the arguments of the local pharmaceutical lobby, had passed legislation on intellectual property rights which US officials regarded as "a pirate's charter".

Aside from provoking calls for his expulsion from the country, Mr Cheek's aside stiffened the resolve of Congress to stick to its guns. President Carlos Menem, wishing to maintain good relations with Washington and to avoid the threat of US sanctions, vetoed the offending items. But most of these were subsequently reinstated by defiant parliamentarians, determined not to be bullied by their own executive or, worse still, by a foreign power.

President Menem this week has sought to break the impasse. In return for conceding some points to Congress, he has persuaded parliamentarians to pass a "corrective law" within 30 days. How far the law will go towards solving the problem, however, remains to be seen.

Most controversy has swirled around Argentina's $3bn pharmaceutical sector, the 12th largest in the world. The battle has pitched the interests of 160 local laboratories, with 55 per cent of the market, against those of foreign companies which say their products are routinely copied.

US pharmaceutical companies alone claim they have lost royalties worth $500m because of piracy.

The main points of contention are:

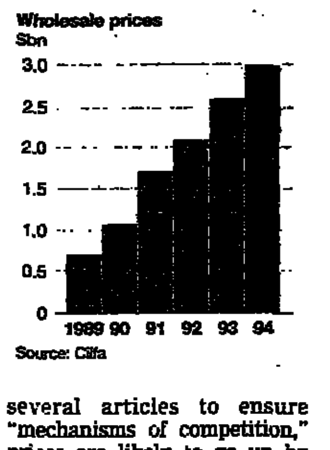
- Transition period. The US, backed by the European Union, wants new patents protection rules to come into force immediately. Argentina's Congress has voted for an eight-year phase-in, meaning pharmaceutical patents would remain largely unprotected until 2003. Under the General Agreement of Tariffs and Trade (Gatt), least developed nations are allowed a transition period of up to 10 years. The US thinks that Argentina, a middle-income country, should aspire to a higher category.
- Compulsory licences. Under Gatt, local companies can be granted a compulsory licence to manufacture a product – without the patent-holder's consent – in exceptional circumstances, such as an epidemic. Congress' bill would, in addition, allow such licences to be granted if a product were deemed "abusively" expensive, or if the patent-holder were judged to be withholding its product from the market. The US says this is unacceptable.
- Regulatory body. Congress says an autonomous body, the National Institute of Industrial Property (Inpi) would arbitrate in disputes between a patent-holder and a local producer. Inpi would have power, for example, to set a "fair" royalty rate if the parties could not agree. Detractors say such a body would be open to arbitrariness and corruption.

Mr Pablo Challú, executive director of Cilfa, a lobby group for several Argentine pharmaceutical laboratories, denies that the Congress bill counters Gatt norms. "We don't in any way want to avoid paying royalties," he says. "We just don't want to end up paying abusive prices by virtue of creating a monopolistic environment."

Mr Challú says the US version of the bill would triple the price of pharmaceuticals. Even with insertion by Congress of

Pharmaceutical sales

Wholesale prices



Source: Cilfa

several articles to ensure "mechanisms of competition," prices are likely to go up by 25-30 per cent, he says.

US diplomats argue that prices will not necessarily rise and that, because legislation is not retroactive, the cost of existing pharmaceuticals will not be affected.

Cilfa also denies suggestions that Argentine laboratories currently avoid royalties altogether. It says under previous legislation local laboratories paid royalties worth an estimated $100m last year.

Mr Domingo Cavallo, economy minister, argues that Argentina needs very strong protection of intellectual property rights if it is to become thoroughly inserted in the world economy. He was backed by Mr Cheek, who said the new law would not bring "a single cent of additional investment" to Argentina.

Mr Cavallo, whose confrontation with Congress over the matter has led to murmurs that he should resign, argues that Argentina should use its well-educated population to become an inventor of products, not a copier. "Cilfa is mistaken in its demands and has caused great damage to this country," he says.

The "corrective law" Congress is expected to pass would modify some articles and reduce the transition period for protection to five years. It is also expected to bring Inpi, the regulatory body, under stricter control, and narrow the scope of compulsory licensing.

It is not clear, however, how far compromise legislation will move towards US demands, or whether it will be enough to remove the threat of sanctions. Mr Cavallo, rarely one for compromises, made his views clear last week, when the idea of complementary legislation was first mooted. "The corrective law does not correct anything. It will leave the same problems as before."

WORLD TRADE NEWS DIGEST

UK seeks more Mexican trade

Mr Howard Davies, director general of the Confederation of British Industry and shortly to be deputy governor of the Bank of England, has arrived in Mexico on a fact-finding mission with the aim of increasing UK investments and trade. The UK is the second largest foreign investor in Mexico after the US, with $3.7bn in fixed investment. However, Britain's £380m of exports last year accounted for only 1 per cent of Mexico's foreign purchases and lagged far behind other European countries.

About $1.1bn, or almost one third of UK investment in Mexico, came in last year following the country's entry into the North American Free Trade Agreement. "Companies which invested last year have taken a sizeable balance-sheet loss as a result of the devaluation, and they are not amused," Mr Davies said.

British diplomats, however, say Mexico's financial crisis has not deterred investments that had been planned before the devaluation. Cadbury Schweppes last month acquired a new bottling plant to extend its production of soft drinks; Tate and Lyle has taken an equity stake in one of Mexico's largest sugar manufacturers, while both Johnson Matthey and Allbright & Wilson are opening new manufacturing plants this year. Diplomats estimate UK investment in Mexico will surpass $4bn by the end of 1995. *Leslie Crawford, Mexico City*

US avionics deal for Russia

Honeywell said yesterday it had agreed with Russia's Ramensky Priborostroitelny Zavod to co-produce Honeywell navigation systems for sale in countries of the former Soviet Union. This is the first time western-designed avionics will be co-produced in the Commonwealth of Independent States for that market, Honeywell said. Ramensky is an open joint stock company based near Moscow. The agreement covers Honeywell's inertial reference system for use in the CIS, Georgia and the Baltic states.

The navigational system locates the position of aircraft by telling a pilot where an aircraft is relative to the earth, as well as its latitude and longitude. *Reuter, Minneapolis*

EDS wins Dutch rail contract

EDS, the US information services group, is to take over the management of information technology for the Dutch national railway, Nederlandse Spoorwegen, in a deal estimated to be worth more than $900m over the next 10 years. EDS will take on 470 railway employees and will develop services in areas such as the provision of route planners and timetables for travellers, ticketing and reservation systems and in-train information displays.

The Dutch railways had made clear in 1994 that it wanted to sell its IT operations because they required big investments and generated little profit. *Ronald van de Krol, Amsterdam*

■ Pirelli Cables of Italy has won a contract worth more than L35bn ($21.3m) to build Brazil's new submarine optical cable telecommunications network. The agreement was struck with a Brazilian engineering company acting on behalf of Embratel, Brazil's national telecoms group, and will involve the supply of a complete system for data, video and voice transmission.

The new system, which will be operational by the end of next year, will be nearly 1,000km long and will serve about 50m clients. *Andrew Hill, Milan*

■ Norway's fish exports are growing strongly, helped by a surge in sales of farmed salmon this year. The value of fish shipments in last five months rose 9.18 per cent to NKr7.97bn while the quantities exported advanced 19.85 per cent to 651,637 tonnes. The value of farmed salmon exports rose by 20.82 per cent to NKr2.6bn. *Karen Fossli, Oslo*

■ Problems over agreeing the location of Pakistan's largest power project – eight coal-fired plants costing $8bn and producing 5,280MW – with Mr Gordon Wu, the Hong Kong based tycoon, have been resolved, the Pakistani government said yesterday. It has issued a letter of support which will enable Mr Wu's Consolidated Electric Power Asia to seek financing. *Farhan Bokhari, Islamabad*

RUGBY WORLD CUP

How are we going to stop Jonah?

Huw Richards on the new breed of big player

In the days when Wales dominated the British game, a waggish fan named Tom Bellion greeted the news that JPR Williams had collided with a tanker while driving to a match with a poem called "And the tanker spent a comfortable night".

Had the juggernaut come into contact with Jonah Lomu, it would have gone straight to the breaker's yard. Always a game favouring the largest and strongest, rugby has taken gigantism to new extremes in recent years with men like the 6'10" Martin Bayfield increasingly the norm and those like Nigel Redman, an accomplished lock forward in every other way, deemed not quite large enough at around 6'4".

South Africa in particular has specialised in the weighty. Among the victims of the fabled 1974 British Lions was a 280lb Transvaal flanker with the resoundingly Afrikaans name of Klippies Kritzinger. The 1980s saw prop Flippie van der Merwe inflict similar punishment on bathroom scales.

The extra-big man has a mystique in any sport with a strong physical element. Boxing's Terry Lawless, mentor of Gary Mason and Frank Bruno, says: "There's a special appeal about heavyweights."

The impression made on the UK's American football fans by William "Refrigerator" Perry of the Chicago Bears was such that Perry was mobbed by the British press on arrival for a game in London while legendary running back Walter Payton wheeled his trolley unnoticed to the bus – the equivalent of David Campese being ignored while reserve lock Warwick Waugh is besieged by questioners.

Rugby crowds enjoy nothing more than the sight of a giant prop lumbering over the opposition try-line, hapless tacklers hanging from his frame.

But the important word there is "lumbering". No-one expected van der Merwe or Kritzinger to combine weight with speed. To play them anywhere in the backs would have been sheer lunacy, with the joy of fleeter opponents clouded only by the reflection that it was a long way round them.

Immutable law of mechanics it may be, but the equation "mass times acceleration equals momentum" has always been assumed, at physical extremes at least, to have an inverse element. Lomu, a 260lb man athletic enough to play on the wing, subverts rugby's eternal assumptions and sets opponents an entirely new of problems – cavalry replaced by the armoured tank.

Wales winger Wayne Proctor was giving away 90lb – more than half his own weight – when he faced Lomu: "He isn't exactly your conventional winger," he says with understatement, "I've not played against anyone like him. He's got terrific presence and you're very aware of him. You know you have to get close to him and not allow him to get away – but that can cause problems. The one time he escaped me was when I probably committed myself a bit early and he sidestepped me."

Ireland's Richard Wallace, giving away 65lb, said: "When it comes to tackling him, it takes two or three men to do it. What's the best way to defend against him? Just don't let him get the ball. He's a well balanced runner". Simon Geoghegan may just have demonstrated the one reliable way of halting him – using blinding pace to catch him and take him low from behind.

And while former Springbok and Wigan Rugby League winger Ray Mordt is certainly correct when he says: "Lomu's dangerous, but not unstoppable...we're all made from the same stuff", he won't have to face him. England's Ian Hunter might. And he vividly conveys the reaction of most potential opponents when he argues: "They say the bigger they are, the harder they fall. But I say the bigger they are, the harder they hurt you."

Lomu's capacity for inflicting hurt may be assessed by comparison with the game's previous best impersonator of the charging rhino seen here in world cup sponsors adverts. Australia's Willie Ofahengaue works as a pile driver. As such he prompts the accusation levelled at that great, robust Welsh flanker Clem Thomas, a butcher, of endangering his amateur status by practising his profession on the field of play.

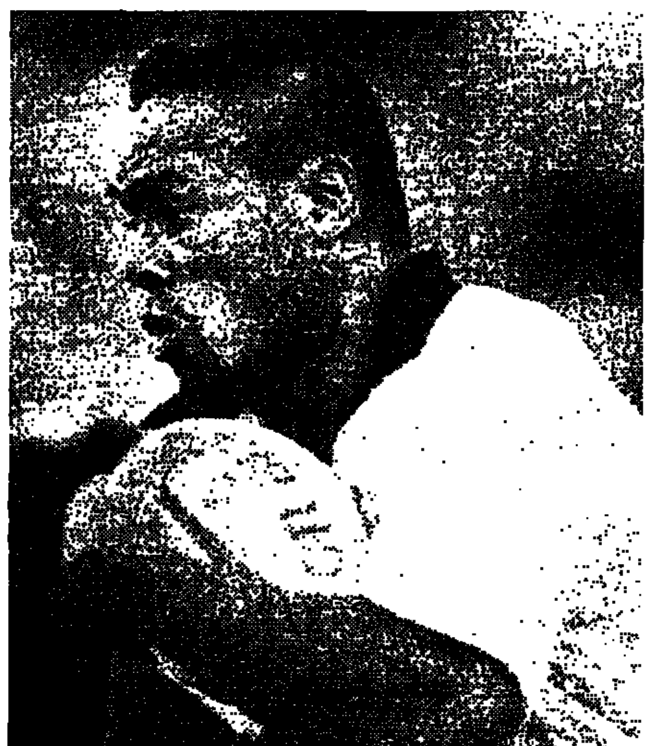
When he first appeared in 1990, "Willie O" induced similar reactions to those now greeting Lomu. But he is a few pounds lighter and plays on the flank rather than the wing.

Lomu also epitomises the change in the balance of the New Zealand team. The archetypal All Blacks XV is built round intimidating unsmiling forwards – farmers like Colin "Pinetree" Meads, once famously photographed with a sheep under either arm, or an earlier prop who trained by dragging his tractor around his farm on a rope. With the brake on. Backs are tough but functional, clearly subordinate.

This squad has two farmers and seven men from sales and marketing. Lomu works in a bank, is 25lb and two inches larger than the fabled Meads and provides the final devastating added element to a back division that even without him would be the best in this competition.

The forwards are still pretty good, but no better than two or three other packs, and New Zealand's status as favourites rests firmly on those lethal backs.

And he is still only 20. Opponents looking forward to a decade of trying to halt the charging rhino can take comfort in the likelihood that American football, which will pay him millions for a few minutes intense effort a week and make no demands on his uncertain defensive skills, will claim him before long. But the relief may only be temporary – there was similiar relief when his predecessor Va'aiga Tuigamala, considered irreplaceably formidable, turned to rugby league with Wigan. On past New Zealand form there is probably somebody even bigger and quicker than Lomu working his way up the junior ranks.



Lomu: new set of problems for opponents Reuter

WORLD CUP

SEMI-FINALS

Saturday, June 17
France v South Africa
(Durban) 1300

Sunday, June 18
NZ v England
(Cape Town) 1300

THIRD PLACE PLAY-OFF
Thursday, June 22 (Pretoria)

FINAL
Saturday, June 24 (Jo'burg)

Authorities hesitate as violence on field spreads

Only a week after the South Africans were involved in a brawl during their 20-0 win over Canada, that saw hooker James Dalton and wing Pieter Hendriks suspended, they were involved in more controversy at the weekend against the aggressive Western Samoans.

Samoan fullback Mike Umaga was suspended for 90 days for dangerous tackling, which left South Africa's Andre Joubert with a broken hand. The punishment took into account a "previous head-butting offence" – in a New Zealand club match in 1989.

South African Rugby Football Union chief executive Edward Griffiths also promised an investigation into allegations by Pat Lam, the Western Samoa captain, that "unprintable" things were said to his players.

"I will immediately take up accusations that a South African player had sworn on the field, as we view this in a very serious light," Griffiths said.

The RWC officials are anxious to clamp down on violent play but they are trying to turn back a dangerous tide.

Not only does union routinely turn a shamefully blind eye to some types of dangerously violent play but the players' tribal code – a rugby omerta that would gratify a Sicilian chieftain – ensures that the matter almost never reaches the courts.

Jonathan Callard, the England and Bath player will hardly forget his visit to South Africa last summer. He nearly left his right eye on the pitch at Port Elizabeth after an encounter with lock forward Elandre van den Bergh. Prompt touchline action by the English team doctor put 25 stitches around the eye socket and saved Callard's sight.

The player's only recollection is of looking up and seeing the boot come down towards his face, with 17 stones of prime Afrikaner beef behind it. The referee awarded a penalty and warned van den Bergh. SARFU's disciplinary committee subsequently found the player not guilty of foul play. The game quickly degenerated into one of the most violent brawls of recent memory.

England's Tim Rodber was sent off after a retaliatory fracas with the Eastern Province flanker Simon Tremain – only the second player in history to be sent off while wearing the England jersey. Callard was deeply upset by the incident, feeling that the normal physicality of international rugby had been left behind, as events entered a realm more appropriate to a prison riot.

He blames the authorities as much as the players involved. "Something should have been done, for the sake of the game," he said, shortly before leaving for the world cup. "You can't let these mindless acts of violence drift past you. Rakes and the odd kick on the body you expect, especially in the southern hemisphere where they have a different approach to rucking."

Callard says he considered taking proceedings himself against van den Bergh but two factors stopped him. The first was the lack of any backing from the English Union. "Just because I'm the one with the scar on my head it shouldn't be left to me to sort out. That makes the individual bigger than the game and I'm not," emphasised Callard. "It's for the union to make a stand, not the injured player."

The second was rugby's unwritten code of honour, a non-documented constitution as strong as any legal code. One player does not pursue another through the courts. "You'd be regarded as a creature from the outer darkness if you did," Callard agreed, reluctantly ceding the moral high ground.

His dilemma is far from unique. Nor should it be snootily thought that such outrages happen only outside England. In lovely west Cornwall, Phil De Glanville, another England and Bath player, nearly lost his eye when kicked in the face by an All Black as he lay on the grass after a ruck during a divisional match against the tourists in December 1993.

Seeing his son's undeniably handsome face a mass of stitches after the attack led De Glanville's father to issue a statement threatening legal action against the culprit. The injured player demanded that the RFU take the strongest possible action.

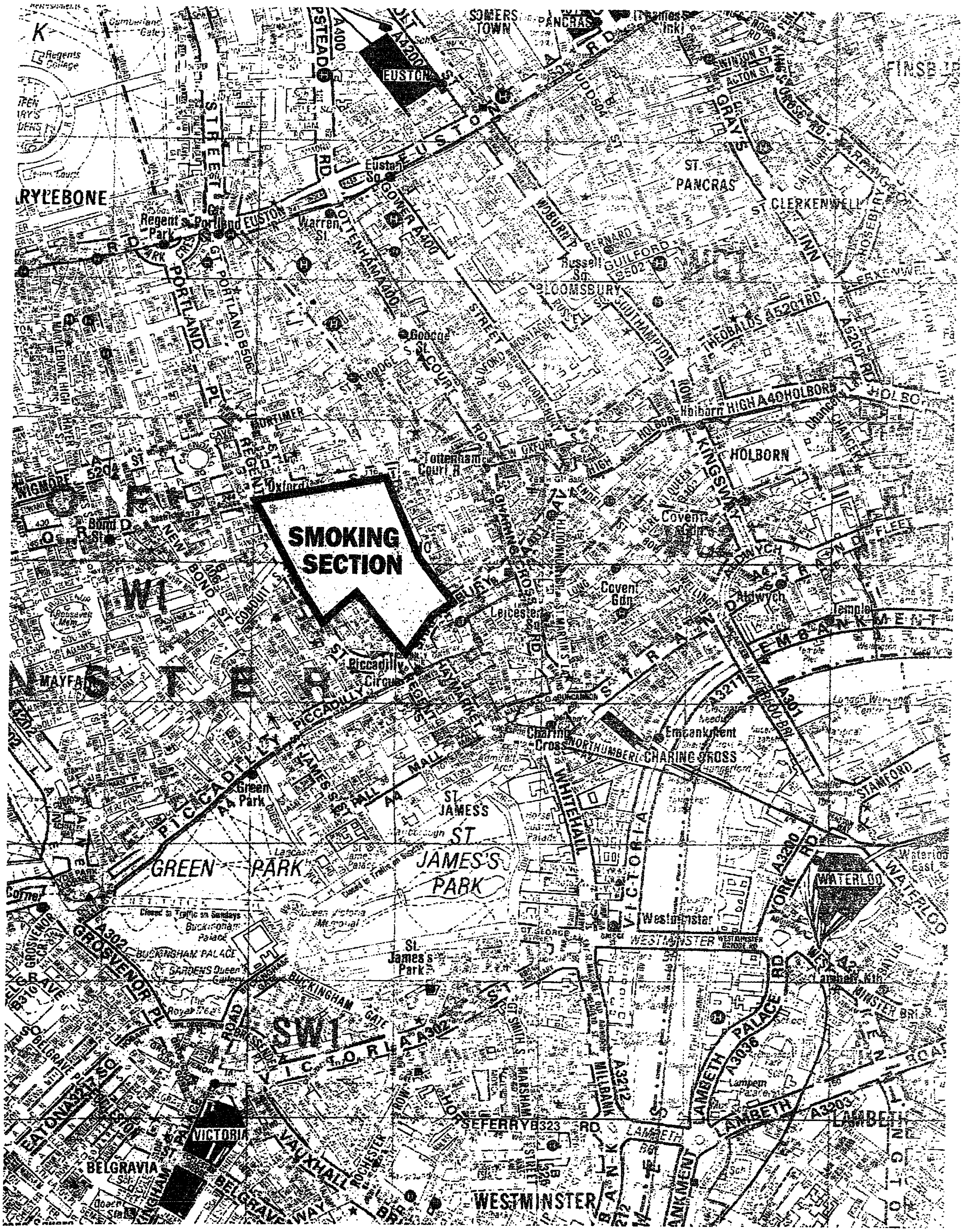
Nothing significant happened because of an arcane technicality that an offender must be "cited" within 12 hours of the incident. Try arguing that at the local police station after a serious assault. De Glanville says he never considered a private prosecution for reasons identical to Callard's. He persuaded his father to calm down and call off the lawyers. Yet he is deeply unhappy that the rugby authorities failed to pursue the matter to the utmost of their powers.

"They had a clear chance to send a message to players everywhere that if you don't play by the rules, you won't play rugby for a very long time. Unfortunately that didn't happen," said De Glanville. "We don't want lawyers crawling all over our sport, turning it into something like football. No one in rugby wants that. But the unions have got to confront violent play and punish it ruthlessly if we're going to handle this issue inside the game."

Would he sympathise with a fellow player who, for the greater good, broke the unwritten code and took proceedings against an opponent who had put him into a hospital bed? "That's the final frontier, isn't it?" mused De Glanville.

Keith Wheatley

Where will they draw the line?



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Seoul hopes nuclear pact will mean closer ties

By John Burton in Seoul

US chief negotiator Thomas Hubbard offering a seat to Kim Gye-gwan, his North Korean opposite number, at talks in Kuala Lumpur yesterday EPA

Officials in Seoul yesterday expressed hope that North Korea's acceptance of South Korean nuclear reactors will lead to closer ties between the two Koreas. "A new phase of inter-Korean relations is expected to develop into economic and personal exchanges after the nuclear issue is resolved," a government spokesman in Seoul said.

North Korea has boycotted talks with South Korea for the past year, while pursuing ties with the US and Japan. This has raised concerns in Seoul that Pyongyang was trying to isolate South Korea from its two main allies.

Pyongyang's diplomatic strategy included its demand that two light-water reactors promised to North Korea under its nuclear accord with Washington last October should come from the US or Europe instead of South Korea, which is financing more than half of the $4bn (£2.5bn) project.

The new reactors, which would replace facilities that can produce weapons-grade plutonium, were offered to Pyongyang in return for scrapping its suspected nuclear weapons programme. After three weeks' talks with the US in Kuala Lumpur, North Korea agreed to let South Korea supply the reactors.

Seoul believes early resumption of inter-Korean dialogue is likely as South Korea will play the main role in the reactor project. One reason for Seoul's insistence it should be the main reactor contractor was that it viewed the project as the main means to force North Korea to renew and maintain contacts with South Korea.

North Korea agreed to accept the South Korean reactors after the US offered a face-saving compromise that avoided naming Pyongyang's main foe as the source of the facilities.

The reactor contract to be signed between North Korea and the Korean Peninsula Energy Development Organisation (Kedo), the US-led international consortium to supervise the project, will provide a technical description of the South Korean reactors without naming their country of origin.

North Korea and the US agreed that the "project will consist of two pressurised light-water reactors with two coolant loops and a generating capacity of about 1,000MW each. The reactor model, selected by Kedo, will be the advanced version of US-origin design and technology currently under production".

The description conforms to the Korean standard nuclear power plant, a more advanced version of the reactor design and technology provided to South Korea by Combustion Engineering of the US.

Korea Electric Power, South Korea's state-run electricity utility, will be main contractor, but a US company, not yet selected, will serve as programme co-ordinator to supervise the project.

Analysts warn that North Korea may try to exploit possible loopholes in the new agreement to gain new concessions or try to keep South Korea from playing a key role.

One potential worry is that North Korea is expected to renew its demand that Kedo provide an extra $1bn for related facilities. The issue is still subject to negotiations with Kedo. Another possible point of dispute is whether Pyongyang will let South Korean engineers and technicians enter the country, since it fears their presence could destabilise support for the Pyongyang government.

The new agreement stipulates only that the US will serve as the main point of contact with North Korea. "In this regard, US citizens will lead delegations and teams of Kedo to fulfil this role." Mr Gong Ro-myung, the South Korean foreign minister, was confident North Korea could not keep out South Korean personnel, since Seoul is the main contractor.

North Korea's attitude to future co-operation will be determined by its desire to set up diplomatic relations with the US and Japan, and its eagerness to attract foreign investment to aid its troubled economy.

Mr Robert Gallucci, US ambassador to the nuclear talks, said yesterday that any improvement in US-North Korea links would depend on Pyongyang's willingness to resume dialogue with Seoul.

Washington is expected to open a liaison office in Pyongyang if talks between the two Koreas proceed, but Mr Gallucci warned full diplomatic ties are unlikely until several problems are solved. "We have indeed other issues. They are North Korea's ballistic missile development programme and heavy conventional forces near the demilitarised zone."

Peter Montagnon in London adds: Germany last week became the second European country to offer financial support for the US-North Korea nuclear deal, diplomats say. But, like Britain, it has offered only a token amount, thought to be about $1m.

The US, Japan and South Korea, partners in Kedo, have been seeking financial contributions both in Europe and from Middle Eastern countries, which are to supply oil in the interim. The modest response, partly a reflection of the difficulties dogging the deal, has disappointed some of the Kedo partners.

'Office ladies' seen as a way of giving the stock market a boost

Tokyo brokers woo well-off women

By Emiko Terazono in Tokyo

With the Nikkei at its lowest point for almost three years and institutional investors looking for the exit, the Tokyo stock exchange (TSE) has turned to the country's traditional trendsetters in the hope of turning the market around – the OLs, the "office ladies".

The OLs, who often live with their parents and are known for their substantial disposable income, have been the driving force behind Japanese consumption over the past few years. While the burst of the 1980s asset "bubble" is hitting the wallets of ordinary workers, women's magazines are still full of articles featuring designer brand goods and expensive restaurants.

The TSE has followed the lead of the Japan Racing Association, which was concerned that horse racing's following was limited to unfashionable working-class men. With a clever marketing campaign, the JRA made racing seem exciting and even romantic, the OLs were attracted to the course, the image of the sport changed for the better and profits rose.

"It is like horse racing, where young women help to change the image," says a TSE official. The exchange has started to offer seminars for women, most of them single office workers, including a lecture from brokerage officials on the floor of the exchange after trading hours.

TSE officials have already held two sessions this month and been pleasantly surprised by its popularity: in all they drew 240 participants. "We hope that the women and the people around them feel more familiar about stock investments" as a result, says the exchange official.

But while TSE officials say the seminar participants seem to understand the stock market better, they may have to try harder given the market's current weakness. "Stocks are a world I don't know about and it seems very scary," says Ms Keiko Kishi, an office lady at a leading car company.

During the heady days of the stock market boom in the late 1980s, housewives, salarymen and pensioners all placed money in the stock market looking for quick profits. Following the crash in 1990, small investors have kept away from equity investments.

The Japanese broking community has been trying to rekindle private investor interest as large institutions have become increasingly averse to risk. Brokers have offered new products, and in April they proposed the creation of a "mini-market" where investors could trade shares in much smaller lots than the companies currently allow.

ASIA-PACIFIC NEWS DIGEST

Hijackers rob Macao jetfoil

Hijackers of a Hong Kong-bound Macao jetfoil yesterday stole some HK$12m (£970,000) after forcing the vessel and 129 passengers into Chinese waters. The gang, at least one of whom was armed, boarded the jetfoil in the Portuguese enclave of Macao and forced the captain to sail northwest into the Pearl River Delta towards the tiny Chinese island of Qi'ao, where they fled. Hong Kong mobilised air, naval and police resources to search for the gang, but said there were no indications the robbery was politically motivated.

The jetfoils, which regularly ply the 60km Macao-Hong Kong route, are owned by Shun Tak Holdings through its subsidiary Far East Hydrofoils. Shun Tak is controlled by Mr Stanley Ho, the Macao business tycoon who controls the gambling which is the enclave's chief attraction for Hong Kong visitors. The stolen money belonged to a Chinese bank and was being transferred to Hong Kong by a private security company, according to a Shun Tak official. *Louise Lucas, Hong Kong*

Singapore PM defends integrity

Mr Goh Chok Tong, Singapore's prime minister, defended his and his government's integrity yesterday, saying a western journalist who wrote an article imputing nepotism "dipped his pen in arsenic". Testifying in the Supreme Court in his defamation suit against the Paris-based International Herald Tribune, he said the article last August suggested that "I was a lap dog" and a "stooge" of Mr Lee Kuan Yew, his predecessor. Along with Mr Lee, who is now senior minister, and his son Mr Lee Hsien Loong, deputy prime minister, Mr Goh is suing the Tribune for undisclosed damages. The article's writer, Mr Philip Bowring, and the newspaper have apologised. *AP, Singapore*

Elections called in Nepal

Nepal's King Birendra, bowing to the demands of the Himalayan nation's communist government, dissolved parliament yesterday and called fresh general elections for November 23. The king asked Mr Man Mohan Adhikary, head of the Unified Marxist-Leninist (UML) Communist party, to remain as caretaker prime minister, the palace said. The communists wanted an election because they believe they can emerge with a strengthened hand. *Reuter, Kathmandu*

Sri Lanka airport bomb warning

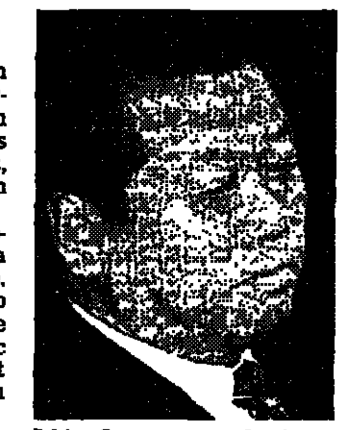
A little-known Tamil militant group has claimed responsibility for a car-bomb blast at Colombo airport and warned foreign tourists and airlines it would strike again. Ellalan Force, in a letter received by Reuters yesterday, said last week's bomb did not explode successfully but said next time there would be no mistake. "The Ellalan Force tried to demolish the Katunayake International Airport but due to the technical failure, the bomb didn't go off. So you are all lucky." *Reuter, Colombo*

Head of Thai tuna canners dies

The president of Unicord, the Thai seafood processor which owns the US tuna canning giant Bumble Bee Seafoods, was found dead in his Bangkok office yesterday. Police said Mr Dumri Konuntakiet, 43, had shot himself. His company was under pressure from Thai and international creditor banks to make good on loans extended to Unicord for its 1989 leveraged takeover of Bumble Bee for $283m. *Ted Bardacke, Bangkok*

No-confidence vote defeat shows coalition unity intact

By William Dawkins in Tokyo



Ichiro Ozawa: opposed vote

Japan's three-party coalition government yesterday survived a no-confidence vote in parliament, proving that its tenuous unity is still intact, just over a month before an upper house election.

The motion, put by the opposition New Frontier party in a bid to raise its weak profile, was thrown out by 290 votes to 189. NFP hopes of splitting the dominant Liberal Democratic party were dashed, as all but three members of the coalition voted with the government.

Yesterday's challenge came after several weeks of debate within a deadlocked NFP. What finally prompted it to go on the offensive was the coalition's rejection last week of minor changes the opposition wanted to make to Japan's first parliamentary statement of contrition to its neighbours for the suffering they experienced at Japanese hands during the second world war.

The NFP wanted to add a "pledge never to repeat such actions again" to the government's motion, expressing deep remorse for Japan's wartime record. But the LDP leadership refused to tinker with a painstakingly crafted compromise draft, for fear of reopening the rift in its own ranks over whether Japan's war record is a matter for remorse, let alone apology.

In the event, the wartime statement got through the 511-seat parliament last week on an uncounted standing majority, in the absence of more than 50 members of the LDP's right wing, reluctant to apologise for the war, and all 171 members of the NFP.

In addition, to the war row, the NFP was upset by a decision to summon one of its former members and a senior current member of the party – both former cabinet members – to testify before parliament next Saturday on allegations of financial corruption.

The NFP had also proposed the dismissal of Ms Takako Doi, lower house speaker, over the war statement, and Mr Shozaburo Nakamura, chairman of the lower house steering committee responsible for summoning the two politicians to testify. Both motions were defeated.

Mr Toshiki Kaifu, the NFP leader, and Mr Ichiro Ozawa, its head of strategy, had argued against launching a no-confidence vote, on the grounds that it was very likely to fail, given the coalition's 37-seat parliamentary majority.

Another school in the NFP, led by Mr Tsutomu Hata, former prime minister, argued that even a failed no-confidence vote would give the NFP a valuable chance to show its mettle in the run-up to upper house elections on July 23.

Report sees only 'mild recovery'

The Japanese government's monthly report on the economy, published yesterday, gave weight to concerns among ministers and business leaders about the weakness of economic recovery, Emiko Terazono writes from Tokyo.

The Economic Planning Agency said in its June report that while the economy maintained its "trend of mild recovery", sentiment among small and medium-sized companies in the manufacturing sector was deteriorating. The report indicated that growth in housing starts was slowing, while noting severe conditions in the labour market.

Machinery orders for April, however, rose sharply from the month before. The leading indicator of capital spending, private sector machinery orders, rose 14.9 per cent from March, the first rise in four months, according to the EPA. Orders from manufacturing and non-manufacturing sectors expanded 18.1 per cent and 13 per cent respectively. However, orders from the public sector declined 24.6 per cent while overseas orders fell 18.2 per cent.

Indian Ocean grouping faces a big 'Maybe'

Interest is stirring but years of hard work will still be needed, writes **Nikki Tait**

In a world of proliferating regional economic groupings, could an Indian Ocean forum be the next to join the list? The answer, if three days of semi-official talks in Perth this week are any guide, is, at best, maybe.

The idea of co-operation around the Indian Ocean is not new. But it has met with little success in the past. An Indian Ocean Commission, set up in 1982 to foster regional economic development, has been confined to smaller island nations. On the defence front, an "Indian Ocean Zone of Peace" initiative, envisaging the ocean free of big power rivalry and pursued through a UN committee, has gone nowhere in more than two decades.

Perhaps even more significant, trade ties among nations abutting the ocean remain modest. Intra-regional trade accounts for little more than a fifth of their total trade and has grown modestly, from 17.9 per cent in 1980 to 20.9 per cent in 1993, in round terms, some $170bn (£106bn).

But recently, interest has stirred. South Africa's President Nelson Mandela pushed the idea on a visit to India earlier this year. Officials from seven nations including Australia, India, South Africa and Singapore met in Mauritius in March, agreeing to set up a regional forum.

Separately, Australia offered to host a "second-track" discussion group of business, academic and government representatives, to debate economic, trade, security and social issues on an informal basis. This International Forum of the Indian Ocean Rim (Ifior) concluded its deliberations yesterday.

Enthusiasts for an Indian Ocean grouping say prospects have improved. They cite several factors. The first is the end of the cold war, diminishing the region's tendency to be a stage for superpower manoeuvring.

The second is the re-emergence on the world stage of South Africa (because of the ending of apartheid and the lifting of international trade restrictions) and India (as a result of its more open economic policies). The two countries, with Australia, account for about half the region's total gross domestic product.

But while these developments improve the prospects for regional co-operation, they hardly provide the catalyst. Here, the record of other regional groupings, perhaps most notably the neighbouring Asia-Pacific Economic Co-operation forum, may prove more potent.

Experience seems to suggest enhanced regional co-operation can speed growth in general. As Mr Anwarul Hoda, World Trade Organisation deputy director-general, told the Ifior conference, even "third-party countries have generally gained from the stimulus to demand for exports arising from higher economic growth among member countries because of regional integration".

In the case of the Indian Ocean Rim, big stumbling blocks remain. The first is the low base for intra-regional trade, and the structure of the economies involved. As Ifior working papers have pointed out, most economies, with a few exceptions such as Singapore and Australia, are dominated by agriculture, and are net borrowers.

Senator Bob McMullan, Australia's trade minister, while arguing that intra-regional trade will grow in proportional terms, refused to be drawn into quantifying the gain. "It's not conceivable this will reach Apec proportions," he said. Trade among Apec members accounts for about 66 per cent of their total trade.

A second, somewhat related, difficulty centres on defining who should belong to any Indian Ocean Rim grouping. South Africa, with its professed commitment to the Southern African Development Community, has stressed repeatedly that hinterland countries, influenced by Indian Ocean developments but not necessarily bordering the sea, must have a seat at the table.

Its delegates have made clear South Africa would not be interested in a repeat of the government-level Mauritius initiative if participation was limited to just seven countries. "We would want an expansion," said Mr Peter-John Botha, Pretoria's foreign affairs director for the Far East and Australasia. "It's crucial to the process."

The third problem is acute sensitivity over what issues should be on the table. Australia insisted on including security matters in the Ifior agenda, only to minimise the importance of this aspect of the talks when other participants blanched.

South African delegates declined to take part in security-related sessions; India expressed strong reservations.

"We couldn't pretend it wasn't an issue, but we could say it wasn't an issue for now," was the reasoning offered by Mr John Dawkins, the former Australian treasurer called to chair Ifior's proceedings.

At the end of the day, enough consensus has been won for an inclusive "business network" to be formed, with a series of subsidiary working groups set up to examine a range of trade-related issues ranging from customs barriers to telecommunications and information technology.

These, according to Mr Amit Mitra, secretary-general of the Federation of Indian Chambers of Commerce and Industry, will report back to Mauritius Initiative officials at their next meeting.

At various levels, from business to government, there would be a "fairly clear co-operation agenda" within one or two years, he forecast.

But high hopes that an Indian Ocean Rim equivalent of the Pacific Economic Co-operation Council, which generated many of the ideas later adopted by Apec, could be created seem to be on hold for the present, while broader security and social issues have been sidelined into a second regional network involving academics.

"No magic will create an Indian Ocean Rim. You are not going to get overnight agreement when 28 or 32 countries are involved," warned one participant in Perth. "It will take years of hard work".

NEWS: UK

Heseltine seeks to boost motor components

By Peter Marsh

Mr Michael Heseltine, the trade and industry secretary, has told the car industry to co-operate in an effort to persuade or coerce UK-based component suppliers to adopt "world-class" manufacturing techniques.

Mr Heseltine wants the car sector to identify areas of the component industry that could benefit from this approach, even though this might involve some reduction in competition between individual suppliers.

The trade and industry secretary delivered his message at a dinner last week attended by senior executives from eight big UK-based car and automotive parts companies.

Representing the car industry were Mr Ian McAllister, chairman of Ford of Britain; Mr John Towers, chief executive of Rover, which is owned by BMW; Mr Ian Gibson, chief executive of Nissan Motor Manufacturing (UK); and Mr Charles Golden, chairman of Vauxhall, the UK subsidiary of General Motors.

Executives from component suppliers were Mr Trevor Bonner, chief executive of GKN; Mr Colin Hope, chairman of T&N; Mr John Neill, chief executive of Unipart; and Mr Jack Fryer, director of strategic planning at Lucas Industries.

The gathering was part of Mr Heseltine's effort to ensure that British industry absorbs state of the art production and management methods. Last month he unveiled a white paper on the subject, pledging £165m to improve the international competitiveness of British industry.

He identified the car components sector, with annual sales of about £5bn and encompassing about 4,000 companies, as strategically important. He believes that component makers will share the improved prosperity of the re-invigorated car sector only through a big effort on competitiveness.

"The car components industry in the UK has improved enormously in the past few years, but then so has the industry in other countries. There are still too few world-class companies in the sector and the car industry is going to have to do more to help them," a source close to Mr Heseltine said.

The Society of Motor Manufacturers and Traders helped to organise the dinner. It is working with the DTI on a programme to educate more component companies about the best practice in the industry, for instance through learning from the Japanese motor parts industry.

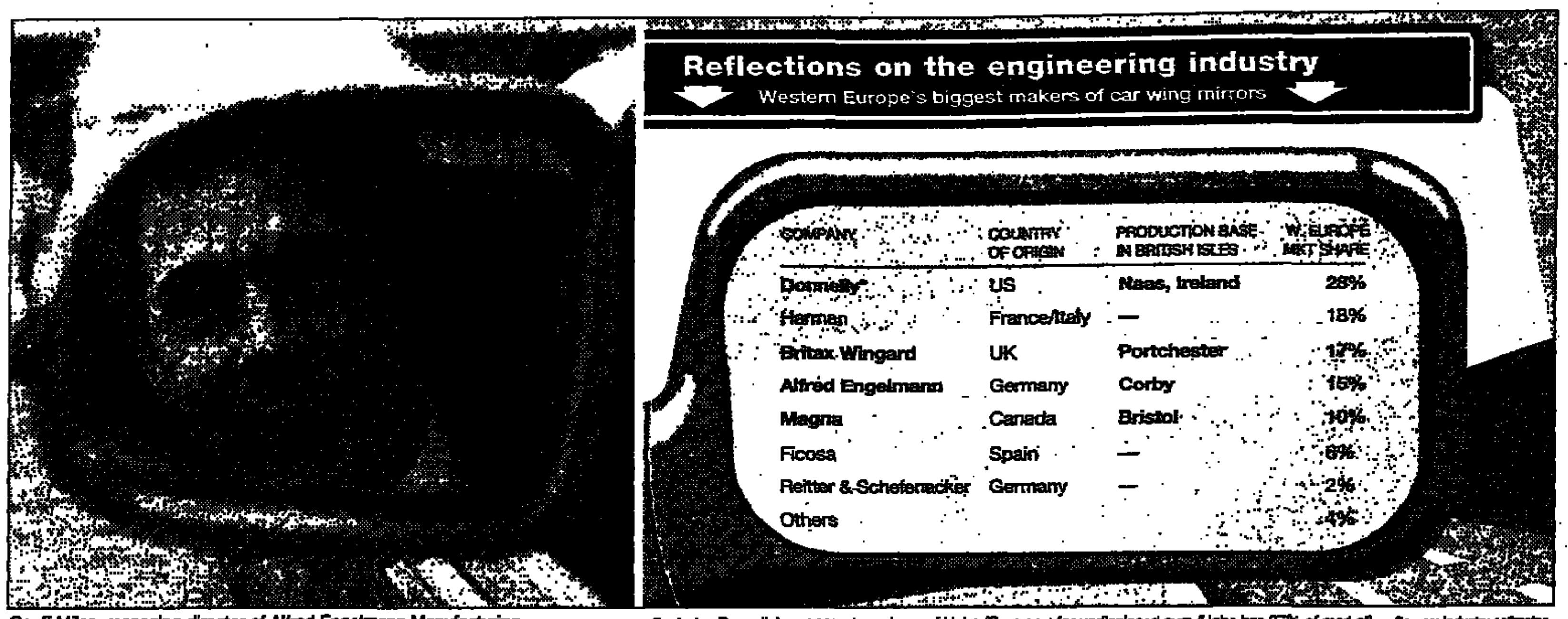
Mr Ernie Thompson, the society's chief executive, said Mr Heseltine showed "impatience" that many UK component makers were weaker than their foreign counterparts.

One way to improve matters would be for the car sector through the SMMT to assign to specific companies the job of trying to educate set groups of component businesses. "Otherwise the logistics of this could be a nightmare," said Mr Thompson.

Mr Gibson of Nissan said the talks were part of a continuing effort by the trade and industry secretary to encourage the industry to help itself. "He is still trying to build the edifice [of co-operation] when in the past many companies have been more concerned at doing each other down."

Car mirror rivalry turns cut-throat

Manufacturers lock horns for share of increased parts market



Reflections on the engineering industry

Western Europe's biggest makers of car wing mirrors

COMPANY	COUNTRY OF ORIGIN	PRODUCTION BASE IN BRITISH ISLES	W. EUROPE MKT SHARE
Donnelly*	US	Naas, Ireland	28%
Harman	France/Italy	—	18%
Britax Wingard	UK	Portchester	17%
Alfred Engelmann	Germany	Corby	15%
Magna	Canada	Bristol	10%
Ficosa	Spain	—	6%
Reitter & Schefenacker	Germany	—	2%
Others			4%

*Includes Donnelly's proposed purchase of Hohe (Germany) for undisclosed sum (Hohe has 27% of market) Source: Industry estimates

Geoff Miles, managing director of Alfred Engelmann Manufacturing

If you are invited to Britax Wingard's factory in Portchester, Hampshire, do not expect a slap-up lunch. Last year the company, Britain's biggest supplier of wing mirror systems for cars, converted its directors' dining room into a workshop for analysing and improving on its rivals' products.

Concentrating on engineering instead of eating looks like paying off. On top of a 60 per cent increase in production over the past three years, Britax is on the brink of winning a substantial order from Volvo of Sweden at the expense of Hohe of Germany, Europe's biggest maker of wing mirrors.

Much of Britax's effort in lining up the order has been centred on its "teardown" room in Portchester where it has dismembered Hohe mirrors and come up with a new design for making essentially the same products at 20 per cent of the cost.

The likely switch of suppliers by Volvo illustrates the highly competitive nature of the car components industry – of which mirror systems are a small but particularly cut-throat segment – and the recent turnround in performance of the UK engineering sector. Of the 26m wing mirrors likely to be produced in western Europe this year for new cars, about a fifth will come from Britain. Of the UK production, worth about £70m, roughly a third will be exported.

UK manufacture of car wing mirrors – not to be confused with internal mirrors, which use different glass and are less technically sophisticated – has grown by about a quarter in volume in the past three years. Wing mirror systems normally consist of a glass reflector in a plastic shell, often with an electric actuator for adjustments. Depending on technical complexity, most mirrors cost the carmaker between £10 and £20 each

Mirrors are viewed in the car industry as being of a technical sophistication roughly mid-way between a commodity and a highly engineered product such as a gearbox where a large degree of design partnership between customer and supplier is needed.

The rise in UK production has been triggered largely by foreign investment, partly due to the impact of new UK car plants operated by Nissan and Toyota. The resulting rise in demand for car parts has boosted activity in the UK by the five companies which, between them, account for more than 80 per cent of the west European market for external car mirrors. Of these five, Hohe is being bought by Donnelly, a big US car parts maker. Britax is part of BSG, the British components group.

The other three are Harman, jointly owned by Fiat of Italy and Reydel, a French components group; Alfred Engelmann of Germany, whose UK subsidiary is 49 per cent owned by Siemens; and Canadian-owned Magna.

Counting the new Hohe/-Donnelly grouping, four of the five big makers have production bases in either the UK or Ireland, and more than anything else the looming deal between Britax and Volvo underscores the growing importance of mirror making to Britain's £5bn a year car components industry, and also the increasing success of many UK engineering companies in winning export orders.

The Volvo order for mirrors is for a new range of cars for production later in the 1990s. The Swedish company says it is talking both to Britax and to Hohe, its long-standing supplier which the industry had expected to win the deal.

Mr Werner Schiek, Hohe's managing director, said he was resigned to the UK supplier taking over an "interesting portion" of the Volvo business. "People jump in and out of contracts – that's the nature of the industry," he said.

In three years' time, the deal could be worth about £10m a year to Britax. But in the mirror business there are no easy pickings, with every success bitterly fought over and with margins cut to the bone, thanks to the increasingly aggressive approach to component sourcing by the big vehicle companies.

The mirror purchasing manager at a British carmaker said: "It's in our interest to keep the mirror makers hungry. If someone loses their business to a rival they begin sharpening their pencils to grab someone else's. That helps us keep costs down and remain competitive." As well as driving hard bargains on

Saab kept rival wing mirror suppliers on tenterhooks by phoning twice a day for two weeks to ask for lower quotes

pricing and quality, the big companies show little hesitation about dumping one company for another if this can be justified on cost.

"In this industry nobody sits still for long," said Mr Rod Owen, technical sales director of Raydyot, a Birmingham-based mirror company which specialises in systems for trucks and is trying to branch out into car mirrors. Last year Raydyot lost an important mirror contract with IBC Vehicles, a joint venture between General Motors of the US and Isuzu of Japan, after IBC found it could buy equivalent products cheaper from the UK factory of Alfred Engelmann in Corby, Northamptonshire.

Engelmann, which has invested an estimated £20m in its Corby plant over the past seven years, is a big supplier to GM in both the UK and Germany. In picking up the contract for IBC's Frontera (sold through Vauxhall), the group benefited from its experience in long production runs and cutting costs.

A similar strategy paid off last autumn for Magna, which has a factory in Bristol. It persuaded Rover that rather than buy the mirrors for its 600 model from Donnelly plants in Ireland, it could get them about 30 per cent cheaper using a re-design from Magna.

This switch, partly brought about by Rover's wish to reduce its number of suppliers and give more business to Magna, will take place in about six months and could save Rover about £1m a year.

Typically, the battles for orders are conducted behind the scenes. "There is little point in advertising what we do – that only gives our rivals ideas about how they can cut in," said one mirror executive.

Companies frequently tear apart each other's designs to work out improvements. In the redesign by Magna of the Rover 600 mirror, the company cut the number of parts in the rival Donnelly mirror by about a quarter to about 25, to make fabrication easier and cheaper.

In the equivalent development at Britax for the Volvo mirror, the company cut costs on the comparable Hohe design by reducing the use of metal and substituting plastic – which is easier to mould and saves on painting costs.

The big car companies frequently play off suppliers against each other in their efforts to minimise prices. In a recent contract award by Saab, the Swedish car group owned by General Motors, the company kept rival suppliers on tenterhooks by phoning them sometimes twice a day over two weeks to ask for lower quotes. One supplier said: "It was like telephone bidding at Sotheby's."

Led by GM, reputedly the most aggressive company on component sourcing, some carmakers insist in a five-year mirror contract that the supplier reduces its nominal prices by about 3 per cent a year, an even higher cut in real terms. "In the General Motors world, inflation does not exist," one mirror company executive complained.

But the mirror makers also have cards to play. Car companies need partnership deals with suppliers to help cut costs and provide some element of stability.

"With the Japanese firms you feel you can go to them if you have a problem," says one mirror executive. "The western companies are less forgiving and for all their talk about partnership they will drop you if the going gets tough."

But persistence can also pay off. In 1990, Mr Tony Pritchard, the sales director of Midland Industrial Glass, a Birmingham-based company which is one of Europe's biggest suppliers of the glass reflectors for car mirrors, identified Peugeot Citroën, the French carmaker, as a potential customer. That led him into four meetings at the main factory near Strasbourg of Harman, Peugeot's biggest mirror supplier.

After realising his knowledge of French was not good enough to clinch a deal, Mr Pritchard hired a French speaker – Ms Sylvie Gargan, now Midland's export administrator – to work on the project. Two years ago, he won a £1m a year order to supply reflectors for fitting to Peugeot cars, mainly in France, boosting output of his company by about a fifth.

Peter Marsh

Engineering unions renew push for shorter week

By Andrew Bolger, Employment Correspondent

The Trades Union Congress aims to negotiate with a future Labour government, not dictate to it, Mr John Monks, the TUC general secretary, told the AEEU engineering and electrical union conference yesterday.

He knew of enough good pubs that did beer and sandwiches, he said, without having to impose on Downing Street hospitality.

But Mr Monks said the TUC had policies which would be "in the interest of our members and of the country if they were implemented".

The TUC, Mr Monks said, had been met too often recently by closed minds in the government, so he welcomed the offer to unions by Mr Tony Blair, the Labour leader, of fairness not favours.

Unions in the engineering industry are to launch a second phase of their campaign for a reduction in working hours, with a 35-hour week their ultimate goal.

Their initial targets are likely to include motor manufacturers such as Ford, Vauxhall and Peugeot-Talbot.

During 1991 and 1992, a campaign led by the Confederation of Shipbuilding and Engineering Unions won a reduction in working hours from 39 hours to 37 hours for more than 1m employees in 1,800 companies.

Speaking yesterday at the AEEU engineering and electrical union conference in Blackpool, Mr John Allen, an executive council member, said: "Our target has always been 35 hours for all workers, blue-collar and white-collar alike, in the engineering industry."

Mr Allen said it was not yet time to drive employers down from 37 to 35 hours. The first priority would be a "mopping up" operation, catching those employers who had escaped reducing hours in phase one, and targeting employers who had signed shorter hours agreements but had subsequently forced up working hours during the recession.

"At the present time many of our members are still being employed on 39 and 40 hours a week and the situation cannot be tolerated any longer," Mr Allen said.

The confederation raised a £15m campaign fund through workers contributing an hour's pay a week. This allowed colleagues to be paid generous strike pay when they took selective action against large engineering groups such as British Aerospace and Lucas Industries. Mr Allen said this fund still contained £9m and would be used as a war chest for the second phase.

He declined to identify possible target companies, but said: "I would draw your attention to the fact that Ford, Vauxhall and Peugeot-Talbot still operate a 39-hour week, and I say to you all today, our members will want and will get a shorter working week.

"The distortion of working hours in the car industry is intolerable and conference must note that both Ford and Vauxhall wish to apply best European practices in marketing their products." Best European practice, he said, was a 35-hour week.

Mr Paul Gallagher, the general secretary of the AEEU, said a government investigation of the effects of the first phase of the shorter working week campaign, published by the Department of Employment, had proved that the shorter hours agreements had not led to any of the disadvantages ministers had warned about.

"In fact, the number of new jobs increased, no jobs were lost, the amount of overtime did not rise, and productivity improved," he said.

Companies take on more debt

By Robert Chote, Economics Correspondent

The financial position of Britain's biggest industrial and commercial companies became increasingly illiquid for a third successive quarter in the first three months of the year, as companies took on more short-term debt and ran down stocks of short-term assets.

The Central Statistical Office said yesterday that large company debts which have to be repaid within a year rose from £53.4bn in the fourth quarter of last year to £54.8bn in the first quarter of this year. Assets which can be cashed in within a year fell from £69.8bn to £67.1bn in the same period.

The liquidity ratio of big companies – short-term assets as a multiple of short-term liabilities – fell from 131 per cent in the final quarter of last year to 123 per cent in the succeeding three months. The liquidity ratio peaked at 148 per cent in the second quarter of last year.

Economists said that the figures demonstrated that companies were borrowing more because they were becoming increasingly confident about business prospects. This was in contrast to the fall in liquidity in 1990 as companies were forced to borrow because they were in financial difficulties.

The growth of company borrowing may point to a rise in the pace of capital investment, which has been subdued so far during the recovery. Many companies have found it more attractive to invest overseas than to build up their productive capacity at home.

Separate figures from the Bank of England showed that industrial and commercial companies raised £3.7bn from new issues of shares and bonds in the first quarter. This was well up on the £3.3bn raised in the previous quarter and the highest figure since spring last year. Financial institutions, in contrast, continued to scale down their new issues.

NHS board directors criticised

By Simon Kuper

Many members of National Health Service trust boards know too little about the NHS, according to a report published today by the Audit Commission, the public service watchdog.

The National Association of Health Authorities and Trusts responded with a statement that board members were being "overloaded" with work.

Nearly 4,000 non-executive directors have joined the boards of NHS trusts, health authorities and health commissions since 1991, when the government's NHS reforms started.

Particularly in the early years, many directors came from the private sector. Mr Andrew Foster, the commission's controller, said some knew little about the NHS and were therefore reluctant to question executives about medically related issues.

Many newcomers to the NHS were confused by its accounting methods. "Lots of non-executives find them absolute gobbledegook," said Mr Foster. Today more people with NHS backgrounds sat on trusts – perhaps too many, he said. "Some of the bureaucratic constipation of the public sector we don't need." The ideal board would include both members of the private sector and health experts.

"The things we most saw going wrong were either chairmen freezing out non-executives, or non-executives wanting to run the business, and that is not their job," Mr Foster said. But many trust boards were functioning well.

He said boards should set long-term strategy, hold executives to account, and listen to local communities.

The commission welcomed moves towards advertising for non-executives. There has been public debate about the number of Conservative party members recruited to boards.

The National Association of Health Authorities and Trusts said non-executives were over-involved in "operational management, disciplinary hearings and grading appeals", and would soon have more to do under new NHS complaints procedures. Mr Philip Hunt, the association's director, called for "some radical new thinking about the role of non-executives".

Mr Ross Tristem, director of the NHS Trust Federation, said most board members were spending two days a week on their tasks, rather than the two days a month for which they were paid. They receive £5,000 a year.

But Mrs Elspeth Metcalfe, who heads the family health service authority for Hereford and Worcester, said: "Many are doing more than two days a month, but some are doing less."

Mr Tristem said it could take board members a year to understand the NHS. The boards of the longest-standing trusts, which are now four years old, were therefore at an advantage, he said.

Taken on Board. HMSO. £6.

Tax warning on elderly care

The average worker will have to pay £330 more in taxes in real terms in 2021 than at present to fund the same services for older people, a report by Help the Aged says. The average worker now pays £1,300 in transfers to the elderly, Simon Kuper writes.

The charity said the increase would be needed because of the projected growth in the number of older people, from just over 9m in 1991 to nearly 12m in 2021. It called for a compulsory insurance scheme to pay for long-term care, similar to that established in Germany this year, where employees and employers pay 1 per cent of eligible earnings.

Help the Aged said that since one-in-four voters was now a pensioner, care issues would be significant in the next general election.

The health needs of the average person aged over 75 cost £2,100 a year in 1991, it said.

Coming Clean on Care Costs. Help the Aged, St James Walk, London EC1R 0BE.

US group plans new chain of cinemas

By Alice Rawsthorn

American Multi-Cinema, the US company which opened the UK's first multiplex cinema, is returning to the UK with plans to launch a chain of second generation multi-screen complexes, including shops, restaurants and at least 20 screens.

The return of AMC comes at a time of frenetic activity in the cinema market. The sale of MGM Cinemas is nearing its conclusion with a US-led consortium, including Mr Richard Branson's Virgin Group, as the frontrunner. Cine UK, a new company formed by a former Warner Bros executive, has raised £40m to open another new multi-screen chain.

AMC, the largest multiplex operator in the US, first ventured into the UK in 1985 when it opened The Point in Milton Keynes as a joint venture with Bass, the brewing and leisure group.

The Point was highly successful and became a catalyst for the rapid expansion of the UK multiplex market. There are now more than 70 multi-screen complexes in the country, representing 33 per cent of all screens and 40 per cent of box office takings.

Multiplexes are by far the most profitable area of the cinema business. Their expansion is a big factor behind the increase in cinema attendance from 54m in 1984 to 110m last year. It is also one of the main reasons for the high level of interest in MGM, the UK's largest cinema chain which has attracted offers from Rank Organisation, PolyGram, Carlton Communications and Time Warner, as well as Virgin.

AMC had ambitious plans to expand its UK interests in the mid-1980s but withdrew from the market in late 1988 to concentrate on expansion in the US. It sold its UK operation, including its stake in The Point, for $98m.

The company has since established a chain of 256 multi-screen complexes in the US, with more than 1,600 screens, and plans to return to the UK. AMC has asked DTZ Debenham Thorpe, the chartered surveyors, to find suitable sites for its new chain. AMC plans to open two multi-screen complexes in the London area, one in the east and the other in the west. It has also targeted Leeds, Bristol, Cardiff and Birmingham as key sites for its cinemas.

The AMC complexes will be similar to the second generation multiplexes the company has been opening in the US. These complexes are larger than the first wave of multiplexes, with more screens and a wider range of leisure facilities.

Typically, the new complexes have 24 screens, against eight or more screens for existing multiplexes. The high number of screens means that films can be scheduled to start within five minutes of each other so people can go to the complex knowing there will always be a film to see.

The second generation of multiplexes also include a variety of restaurants, as well as shops selling related merchandise such as music, books and leisurewear.

Some of the new complexes also offer special types of film technology such as three-dimensional movies and computer-simulated films in which the seats are programmed to replicate the action on the screen.

AMC is set to open one of these complexes in Indianapolis in September. Sony opened what it claims is the world's highest grossing cinema complex last autumn in New York, and is considering plans to open similar complexes elsewhere in the US.

BUSINESS AND THE ENVIRONMENT

Genetic planners hope for ideal tree

The pulp and paper industry is hoping genetic engineering will produce the perfect tree: quick to grow, easy to process and high in good-quality paper fibres.

Zeneca Plant Science, part of British bioscience company Zeneca, has developed a gene that produces low-lignin trees, which are easier to process in pulp mills because less energy, water and bleach are needed to remove the lignin – a necessary step to obtain white, good-quality paper.

As well as the environmental benefits of lower chlorine and energy needs, the milder processing reduces fibre damage and allows pulp from fast-growing trees, such as eucalyptus and poplar, to yield better paper than through the traditional process. Zeneca claims cellulose yields are also higher from the low-lignin trees.

In April, Zeneca signed agreements to exploit the gene technology, which grew out of a European Union research programme, with Japanese paper maker Nippon Paper Industries and Shell Research.

Ceasa, a Spanish forestry and pulp company, is also experimenting with gene technology. Unlike Zeneca, it wants to manipulate tree genes to produce paper with the specific characteristics sought by paper buyers, such as strength, print quality and surface finish.

By mixing different pulps, paper mills should be able to produce a paper with the desired end-user qualities. "The aim is to know on an interactive basis how a fibre will behave," says Rob Wilson, forestry director. The company, part of AngloFrench paper group Arjo Wiggins Appleton, started using genetic engineering in 1992 on its 2,000ha plantation of eucalyptus trees in northern Spain.

The first three years were spent determining the links between genes and papermaking characteristics. This year, the project moved into its second stage: DNA is being manipulated to perpetuate trees with the desired qualities.

Ceasa is encouraging local smallholders to take part planting its eucalyptus seedlings and hopes eventually to have 20,000 hectares of genetically manipulated trees feeding its pulp mills.

Pulp frictions

Paper producers are recognising the potential of biotechnology, writes Geoff Nairn

Recent price rises apart, the long-term future of the pulp and paper industry rests on product innovation and minimising the environmental effects of its processes. Biotechnology has much to offer in both these areas, and the industry is waking up to its potential after a slow start.

The most common method of producing pulp uses harsh chemical reagents to break down wood pulp and bleach the resulting cellulose to the required brightness. Invented in Germany, it is known as the *kraft* process. It consumes large quantities of water, chemicals and energy, and produces considerable effluent, while product consistency is difficult to control.

As the industry focuses increasingly on value-added markets, research is being done into using biotechnology to help develop new paper products. Researchers at North Carolina State University have developed a process for making paper from chitosan, derived from shellfish waste. Chitosan is better than cellulose for antifungal paper applications such as wound dressings and water filters.

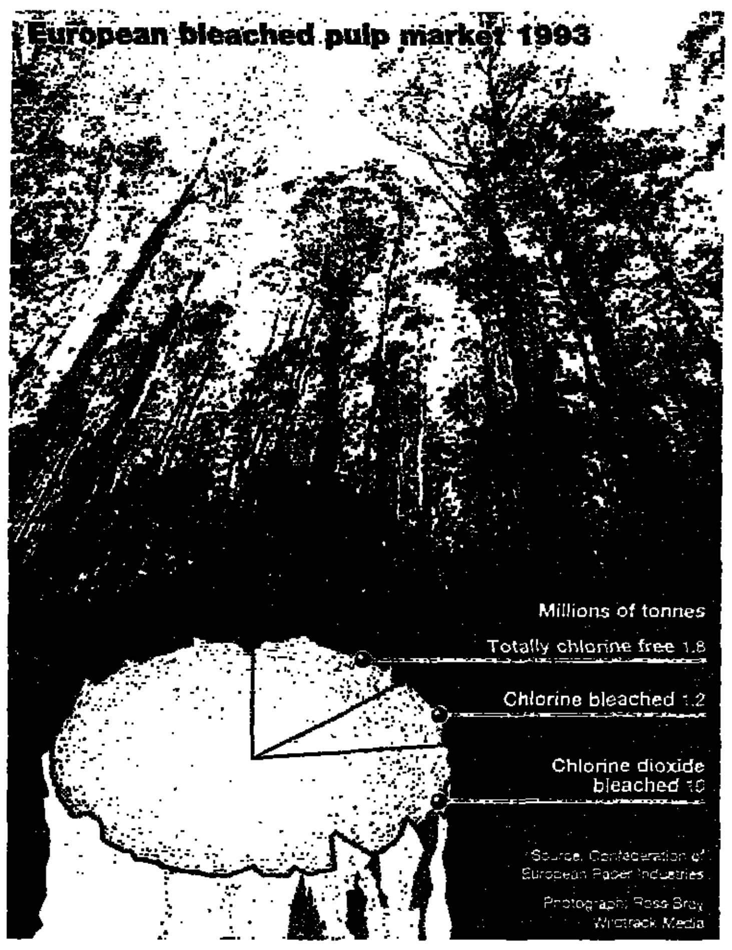
Scientists elsewhere are using bacterial celluloses to give papers a smooth coating, for easier printing, while short-life, biodegradable packaging is another promising application of biotechnology.

Most research effort, however, is devoted to the industry's main challenge: the environmentally friendly pulp mill. While unbleached cellulose is acceptable for some products, papermaking still requires bleached cellulose and it is the bleaching process that causes most environmental problems.

A decade ago, the US Environmental Protection Agency detected dioxin in the effluent of bleached *kraft* pulp mills. The chlorine gas used as a bleaching agent was found to react with the pulp to produce dioxin and other toxic chlorinated organic compounds.

Pulp mills have since optimised their processes to improve effluent quality and, more recently, substituted some or all of the chlorine gas with chlorine dioxide, held to be less environmentally damaging. The complete substitution of chlorine gas with chlorine dioxide allows mills to claim their pulp is "elemental" chlorine-free (ECF). This is not sufficient for some consumers, who insist on the more expensive totally chlorine-free (TCF) pulp, produced without chlorine-based chemicals.

Environmental legislation is also tightening: this year Finland halved the limit for chlorine in mill effluent and the Canadian province of Ontario plans to ban it in 2002. Future mills will have to be designed to be largely effluent-free and so minor improvements to existing process technologies will soon no longer suffice.



Source: Confederation of European Paper Industries
Photograph: Ross Bray Wildtrack Media

The pulp and paper industry is thus evaluating more radical solutions, including biotechnology.

Bacterial strains, such as methylobacter, are already used in the effluent tanks of some pulp mills to reduce the levels of organic halides and other toxic chemicals. The effectiveness of the bacteria is variable, however, and environmentalists frown on such "end-of-pipe" treatment, preferring pollutants to be reduced at source.

One way to do this is to add enzymes to the pulp before bleaching, which improves the effectiveness of the bleaching chemicals, reducing the quantity needed. According to a recent study by UK consultants PA Consulting Group, enzyme treatment is one of the most attractive applications of biotechnology in the pulp and paper sector.

Enzymes are proteins that speed up biochemical reactions in the same way that catalysts accelerate chemical reactions. The xylanase enzyme most commonly used in *kraft* pulp mills helps break down the substance that binds the paper fibres to the lignin – the part which gives wood its strength and brown colour. This allows the chemical bleaches to remove the lignin more effectively, leaving white pulp.

The Canadian biotechnology firm Iogen, a leading enzyme supplier, claims xylanase treatment of *kraft* pulp before conventional bleaching reduces the quantity of bleach needed by up to 15 per cent, so reducing chemical costs, and cuts the amount of organic halides in effluent by up to 25 per cent.

"The economic argument [for enzymes] is persuasive, as well as the environmental argument," says Brian Foody, Iogen president. Nevertheless, only 8 per cent of Canada's bleached *kraft* pulp production is treated with xylanase and he admits many mills find the enzyme difficult to use.

Finnish pulp and paper company Enso-Gutzeit was one of the first to experiment with enzymes but has not taken the technology beyond the trial stage. "Enzymes are so expensive and the benefits are so small," says Veikko Jokela, head of pulp technology.

Foody says the price of enzymes has dropped considerably and it costs between $2 and $4 to treat a ton of pulp. "Enzymes cost half the price of chlorine per unit of bleaching power," he maintains.

Enso-Gutzeit found other problems using enzymes. The low temperature and acidic conditions required by the enzymes were incompatible with the bleaching process. "We had to cool the pulp to add enzymes and then reheat it for the bleaching stage, which is wasteful," says Jokela. The acidic enzyme-containing solution also attacked the steel pulp tanks.

After their initial enthusiasm, pulp makers are today more sceptical of enzymes, particularly because ozone and other newer chemical technologies can also reduce chlorine use.

A new generation of more resilient enzymes is under development that could make enzymes a mainstream technology. Researchers in Iceland, for example, are investigating enzymes extracted from microbes in hot springs, which can stand higher temperatures.

Lignozym, a German biotechnology firm, claims to have an enzyme technology that could eliminate chemical bleaching in pulp mills. Its patented system mimics the way white rotting fungi attack trees and is based on the laccase enzyme with a secret "mediator" chemical.

Unlike today's enzyme additives, which have no bleaching effect, the laccase/mediator system is an effective bleach. According to managing director Hans-Peter Call, it could be used to substitute some or all of the chemical bleaching stages in today's pulp mills, and allow them to produce TCF pulp for less than it currently costs to make ECF pulp.

Denmark's move on emissions is against the tide, says Leyla Boulton

Higher carbon tax heats up debate

At a time when the world appears to be going off the idea, Denmark, one of the smallest members of the European Union, has just introduced a revamped carbon tax to fight climate change.

"Our policy is to be out in front . . . to have the process move forward by taking the first step ourself," says Flemming Nielsen, a top official at the Danish Ministry of Energy and Environment.

Since industrialised countries committed themselves to reducing the carbon emissions seen as threatening the world with global warming, both the US and the EU have tried and failed to introduce such a tax.

"Having signed the Rio declaration, we are trying to live up to it," says Nielsen, referring to the document which almost three years ago to this day pledged signatories to come up with a plan to tackle climate change. "Others are signing things but not doing so much."

The only other country to impose a full carbon tax on all industrial users and households is Sweden. Half-way house arrangements have been devised by others such as Norway, where punitive taxes discourage oil companies from burning gas off North Sea oil platforms.

The latest Danish measure, which comes in next January pending approval by the European Commission, increases taxation from an average of DKr35 (£4) to gradually reach DKr90m per ton of CO_2 by 1998.

Nielsen says the plan, which ploughs this revenue back into lowering companies' social security contributions and providing energy saving subsidies, will enable Denmark to meet an international target of stabilising emissions in 2000 at 1990's level.

But Danish industry is wringing its hands over the legislation, which includes a tax on sulphur emissions and on plastic carrier bags.

Klaus Rasmussen, who monitors economic policy for the Confederation of Danish Industries, claims the plan threatens the international competitiveness of Danish companies because a list of energy-intensive processes qualifying for tax relief "looks a little like a lottery". He says: "Some firms will have to pay a lot but others, which may be in a similar position, will be discriminated against."

He resents the fact that Danish companies can reclaim only 30 per cent of the investment they make in energy-saving technology after implementing an audit on further possible energy savings. To reclaim the DKr1.8bn set aside by the government for the subsidies, he says that companies would need to spend DKr6bn – or "about 30 per cent of one year of investment by industry".

He also longingly cites the covenants between the Dutch government and industry committing the latter to voluntary reductions of emissions.

While some of Rasmussen's complaints may be part of an effort to extract maximum concessions from Copenhagen before the plan goes into effect, they also demonstrate the truism that the more advanced pollution control becomes, the more it costs companies and countries.

For Anna Lindh, the Swedish environment minister, the carbon tax is not only about the industrial world's "moral duty" to take the lead. "It's one of the few efficient tools for reducing CO_2 emissions because when it comes to economy and industry, this task requires the market's own tools," she says. She adds it gives industry an edge by encouraging energy-saving innovation ahead of foreign competition.

Angela Merkel, the German environment minister, says athe Danish case emphasises a need for "further harmonisation of the European tax system" to prevent citizens from shopping around the internal market. It will also take more than the Scandanavian example to overcome political opposition to any new taxes in the US, which generates 25 per cent of emissions and has some of the lowest petrol prices in the industrialised world.

TECHNOLOGY

Louise Kehoe and **Paul Taylor** preview the August launch of Microsoft's latest operating system

A new window on the world

The $100bn world personal computer industry is awaiting, with a mixture of excitement and trepidation, Microsoft's planned August 24 launch of Windows 95, a new version of the operating system that is used on the majority of PCs worldwide.

The program could boost sales of PCs to unprecedented levels, but in the short term some industry executives fear it might dampen the market as corporate buyers pause to evaluate the new program.

There is new uncertainty about the launch date following the decision by the US Justice Department to launch an antitrust investigation into the on-line element of the new program. But one thing is clear: Microsoft is calling the tune. Everyone else in the industry is being forced to sing along. Never before has Microsoft's power to orchestrate the pace of change in the industry been so clearly demonstrated.

Assuming that the program is introduced as planned, some 10m-20m copies of Windows 95 will be sold before the end of this year and 1996 sales could top 50m copies, say analysts at Computer Intelligence InfoCorp, a US market research group.

"Within 60 days, Windows 95 will be the dominant operating system on new PCs," predicts Gordon Eubanks, chief executive of Symantec, a PC software company. By the end of next year, industry executives expect close to 90 per cent of all PCs to be running the new Microsoft operating system program.

Home PC users will adopt Windows 95 almost "overnight", says Lorie Strong, Compaq Computer vice-president of marketing.

"Consumers are anxious to get the latest and greatest product and to be sure that they are not spending their money on old, obsolete technology."

The transition is expected to be more gradual among corporate users with large numbers of PCs operating in networks.

"For commercial customers this is a big step," says Greg Falzon of Computer Intelligence InfoCorp. Some businesses will delay buying until Windows 95 has been proven free of "bugs", he predicts.

As with any new software, users face a period of learning. Although "ease of use" is one of the most praised features of Windows 95, the vast numbers of people expected to install the program could create an avalanche of calls to technical support services.

Microsoft plans to quadruple the number of technicians answering telephone calls in the US to 1,600 by contracting with other companies to share the load. Similar arrangements have been made elsewhere. PC manufacturers and application software developers are also braced for an onslaught of customer calls.

In the corporate arena, the transition will place increased demands on companies' "help desks". Businesses could face significant increases in the cost of training and support as they adapt.

Many PC users face the additional expense of a hardware upgrade. Although Microsoft insists that Windows 95 can be used on a PC with a 386 microprocessor and just 4MB of memory, optimal performance requires a more powerful PC with more memory. The consensus within the industry is that 8Mb-16Mb is needed to take full advantage of Windows 95 functions such as "multitasking" which enables the PC to run more than one application program simultaneously.

"I would not feel comfortable recommending less than 8Mb of memory to users," says Michael Culver, director of product marketing for Acer America. "Nor, however, do I believe the vast majority of customers will need 16Mb."

While Compaq, Acer and other leading PC manufacturers have included 8Mb of memory in most of their products sold over the past year, there is a large installed base of PCs that will need extra memory chips to run Windows 95.

The anticipated high demand for PC memory upgrades comes, however, at a time when there is a shortage of dynamic random access memory chips. "Memory chip prices are exorbitant," says Jim Handy, semiconductor industry alyst at Dataquest, a US market research company.

Most businesses have PCs ranging from old 386 machines to the more powerful Pentium PCs. They face the dilemma of spending heavily on upgrading old machines that will probably become surplus within 12 months, buying new PCs to accommodate Windows 95, or increasing their support and systems management costs by using two generations of software.

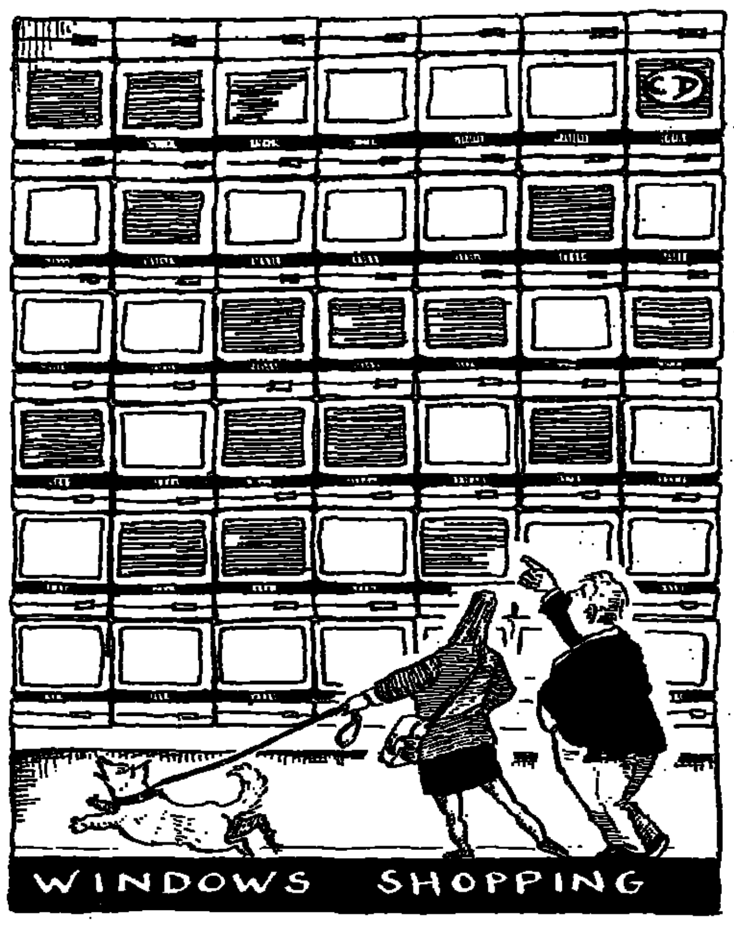
In the longer term, Windows 95 is expected to provide cost benefits. "We believe Windows 95 will lead to significantly reduced total cost of ownership compared to Dos or Windows 3.1," say analysts at the Gartner market research group.

The savings are expected to come through increased ease of use coupled with more functions supplied in one package. This could increase productivity and cut technical and administration costs.

Windows 95 is designed to reduce administration costs by incorporating a feature called the Registry – a single point of reference for hardware, software and individual user profiles and for systems policies. This enables network administrators centrally to monitor and control use of individual PCs.

Other features include enhanced security, "plug-and-play" technology, and dial-in network support for portable computers. Gartner suggests Windows 95 should save about $1,180 per user per year compared over the total costs of running a Windows 3.1 system.

"Migration costs [system software only] will typically be recouped within three to six months," Gartner believes.



For PC manufacturers, Windows 95 appears to be good news. Arriving in time for the peak PC selling season before Christmas, the new program could ensure that consumer interest in PCs does not flag. "1995 may be the biggest year ever in the PC industry, and a lot of that will be driven by the new operating system," says Falzon.

But industry executives are not so sure. PC producers "are hoping that Windows 95 will magically make everyone want to buy a Pentium PC with 8Mb of memory," says Bob Frankenberg, chairman and chief executive of Novell, Microsoft's largest competitor in the PC software market. "I don't think it will happen quite that fast."

Culver says: "Only Microsoft really believes that Windows 95 will give the PC industry a boost. In the short term it will have a significant negative impact by increasing PC manufacturers' support and transition costs."

Compaq and several other PC makers plan to let corporate customers set the pace of the transition to Windows 95 by installing both current and new versions of Windows on PCs for the business market. Customers will have a one-time-only opportunity to choose which operating system they want to implement.

Microsoft's competitors in the market for applications software also have mixed feelings about the Windows 95 launch, even though it is expected to create demand for a new generation of "native" applications – programs designed to take full advantage of the new operating system.

Within a month of the launch of Windows 95, Microsoft plans to unveil a new version of its widely used "Office" suite of applications. Competitors such as Lotus and Novell are also rushing to bring Windows 95 versions of their products to market, but they start out at a disadvantage.

"It is not by coincidence that Microsoft's applications products will be available almost simultaneously with the introduction of the new operating system, says Allen Carney, Lotus development vice president of desktop marketing. "Very few independent software vendors have been able to time development cycles so that it happens to work out that way." Windows 95 will serve as a bitter reminder of "whose playing field we are on".

While PC industry executives are hoping that Microsoft will introduce Windows 95 in August, after years of delays, there is still the Justice Department's antitrust action to worry about.

Microsoft would not be the only victim if there is a last-minute hitch. Windows 95 will open on August 24, or leave the entire PC industry covered in broken glass.

Powerful performance sets the pace

Windows 95 is a heavyweight, as operating systems go. Installation from 15 floppy discs or, more conveniently, a single CD-Rom disc takes between 30 and 45 minutes.

One of the most lively debates over Windows 95 is likely to be over what type of machine and how much memory it needs to run effectively.

The official word is that as long as a user has at least a computer based on an Intel 386DX chip with 4MB of memory or better, Windows 95 will run at least as fast as Windows 3.1, and in many cases faster.

In practice, however, most users will appreciate the extra speed and flexibility that a 486 or Pentium PC with at least 8Mb of memory will deliver – probably the most effective upgrade users can make to a Windows 95 computer will be to add memory.

Installing Windows 95 is straightforward and for those upgrading from Windows 3.1 there is an integrated tutorial and help system. For 3.1 users already hankering after the familiar program manager, there is even an option during installation to load a lookalike when Windows 95 is fired up.

But Microsoft has also listened to customers who complained about the look of 3.1 user interface. The basic Windows 95 main screen is a clean and simple "desktop" with program icons to the left, a new start button in the lower left corner and a "task bar" along the bottom that allows the user to switch between applications quickly.

Windows 3.1 put what Microsoft describes as "a friendly face" on top of Dos commands to make day-to-day PC tasks easier. In Windows 95 the goal is to make those tasks more intuitive or, where possible, automatic.

The addition and configuration of new hardware devices such as a CD-Rom drive is one example. Windows 95 examines the new hardware, automatically loads the right software drivers, sets technical parameters and tells other applications about the existence of the new device without intervention by the user – Windows 95 also includes improved multimedia support.

New peripherals, such as printers, that are compatible with the plug-and-play standard will automatically work immediately they are installed.

Nevertheless, given the range of hardware devices and software available for PCs, it seems inevitable that compatibility problems will be an important issue for Windows 95 users, and a primary cause of help desk calls. For business users, heavily customised and purpose-built Windows applications could prove particularly troublesome.

Because Windows 95 is a 32-bit operating system, it is faster, more flexible, robust and secure than its predecessors. System crashes, annoyingly frequent under Windows 3.1, could be a thing of the past. Running more than one application at a time is also much easier and faster.

Windows 95 includes advanced memory management features and support for older MS-Dos based applications which should resolve annoying problems with cranky MS-Dos based games that refuse to run under Windows 3.1.

New utilities include a program for checking and repairing discs, although most business users will probably also want the added security provided by the tools – including virus-checkers – available from third-party software vendors such as Symantec.

Windows 95 provides extensive networking features including support connections to the Internet – although this involves complex adjustment and settings and is one area that could be improved.

It is also closely integrated with the Microsoft Network, Microsoft's new commercial on-line information service which, subject to a review now under way by the US Justice Department, will be launched at the same time as Windows 95. Once set up, access to the network is just a desktop mouse-click away.

Microsoft claims that for personal computer users at home and in the office the imminent arrival of Windows 95 will mark a turning point in terms of ease of use, features, power and performance.

In most areas the software lives up to, or exceeds, expectations.

Paul Taylor installed a Beta test version of Windows 95 on his home personal computer in December.

ARTS

Television/Christopher Dunkley

Sporting with the remote control

After the most astonishing weekend of televised sport – World Cup rugby, French Open tennis, the Derby, international soccer, the Isle Of Man TT, the Canadian formula one grand prix, and England's first Test against the West Indies – it is possible to formulate some viewers' rules: 1. If you choose to concentrate on one event you will later discover that the others were more exciting. 2. If you try to keep up with several events, tedium will prevail in whichever you are watching, but all hell will break loose the minute you stop watching and switch to another event. 3. Whenever there is mayhem the cameras will be looking elsewhere. 4. It is vital whenever you leave the room that you set the VCR to record; otherwise someone will score/crash/dramatically lose a set. 5. Live soccer may be enthralling but on television it continues to be the most boring game imaginable.

The weekend also inspired these thoughts:

SATURDAY MORNING. Commentators can dramatically colour your view of an event. The Radio 5 Live commentary on the Ireland/France rugby match is so pessimistic about Ireland's chances that you begin to wonder how they got this far in the tournament. Switch from radio to television commentary and it all seems much less gloomy. The radio voice sounds Welsh, so could this be a question of intra Celtic needle?

With cable you no longer have to put up with the dictatorship of the broadcaster's choice but can – for instance – stay with the French Open if you wish. But why is everybody so mean with captions in tennis? Given the amount of on-screen information routinely supplied these days for rugby and cricket, it seems odd that tennis scores are not kept on screen. It means you cannot zap between rugger and tennis and stay abreast of both. Perhaps that is the idea.

Television technology makes experts of us all. In the rugby match between South Africa and Western Samoa, the commentators claim that Umaga should have been sent off for a tackle on van der Westhuizen which was not only high but late. Clearly it was high, but the slo-mo replays suggest that Umaga was launched into his tackle while the South African was still holding the ball. You cannot stop a tackle in mid-air.

SATURDAY AFTERNOON. The demands made of sportsmen and women today in the name of television would have horrified their predecessors. No sooner has Walter Swinburn dismounted after riding Lammtarra to that extraordinary Derby win than he is installed before the camera and required to give a coherent account of the race, the preparations, and his feelings. Lester Piggott has still not mastered this art.

In mid afternoon bad light at Headingley stops play in the first Test. Richie Benaud, one of the best commentators in any sport, thoughtfully explains that conditions may look perfectly acceptable to television viewers, but this is only because the cameramen adjust their equipment to compensate for bad light.

Naturally not every sports champion is loquacious. Steffi Graf, having won the women's singles title in Paris, tells us "I just want to say I'm really happy" – and bursts into tears. The charm induced by Graf and Sanchez Vicario is promptly destroyed by the ghastliness of the BBC's Wimbledon trailer which features, of all people, Norman Wisdom. He pulls his usual embarrassing faces and squeaks "Mr Grimsdale". Why? Does the BBC now see Wimbledon in terms of second rate clowning?

SATURDAY NIGHT. Broadcasters have little time for motorcycle sport, and even that little is inaccessible. Coverage of the *Isle Of Man TT Races* on ITV begins at 1.45 in the morning and the commentary sounds as though it is being read from the columns of a local newspaper. Clichés jostle for precedence: "A legend in his own lifetime ... Duffus will try all he knows ... Dunlop has stamped his authority ..."

SUNDAY MORNING. Watching England play their rugby quarter final against Australia on television is not the same as being there. But being there is not the same as watching it on television. No sooner had Tony Underwood scored that sublime try – like an illustration from a pre-war schoolboy story book – than we were watching it from reverse angles, first with Catt in the background roaring his man on, then with Guscott screaming joyful support. You do not see all that sitting in a windy stand.

SUNDAY AFTERNOON. The Scotland/All Blacks match makes you realise what a pity it was that ITV outbid the BBC for this rugger coverage. Their commentating and summarising has been woeful. Thank goodness for the incomparable Bill McLaren, supplying commentary on Radio 5 Live. Just as the ideal way to experience Test cricket is to watch television with the sound turned down and *Test Match Special* on BBC radio, so the best of rugger broadcasting now consists of television pictures with BBC radio commentaries. At the end of this game McLaren, with typically elegant phrasing, says "Really this has been an *adornment* to rugby union".

Watching Muster systematically thrash Chang, it is hard not to reflect on how nasty, compared with Wimbledon, the Paris tennis venue looks on television. Wimbledon fills the screen with an elegant combination of dark green and purple, etched with white and topped by pale blue skies. It is one of the great sights of summer television; supremely chic. Roland Garros, on the other hand, is dominated by the lurid ginger of the "clay" and framed by the unpleasant eau de nil of the surrounds. And did you see the line judges' outfits? *Sacré bleu!*

SUNDAY NIGHT. Murray Walker, surely the most indefatigable enthusiast among all sports commentators, is presumably so much a part of the travelling circus of Formula 1 motor racing that he cannot afford to identify his own favourite drivers or cars openly on the air. Yet you could hardly mistake his feelings today when Schumacher's Benetton finally developed a fault, pushing him back from first to seventh place, allowing Jean Alesi and his Ferrari to go through. Walker's standard note of frenzy shot up an octave to burbling hysteria. "I don't know how you're feeling at home but I can tell you I'm through the roof here" he shrieked, as though we needed telling.

Schnittke's 'Gesualdo'

Andrew Clark reviews the world premiere of the opera in Vienna

For the past year Alfred Schnittke has not written a note, and yet the Schnittke *oeuvre* continues to grow at a remarkable rate. Seven works have been premiered recently – the latest being his second opera, *Gesualdo*, in Vienna. And there is more. His third opera, *Historia von D. Johann Fausten*, will be staged this month in Hamburg, and the Royal Liverpool Philharmonic Orchestra will premiere another new work in September.

All these were completed before Schnittke suffered two strokes in quick succession in June 1994 (from which he is said to be making a slow recovery.) The music we are hearing is the fruit of a burst of creativity after a previous stroke in 1991: in three years he wrote 26 works, including three operas, three symphonies, eight orchestral pieces, and various chamber and choral works.

Gesualdo is a complete contrast to Schnittke's first opera, *Life with an Idiot*, much of which was written before 1991. The new work is subdued, spare and sketchy, with a Germanic astringency that reveals little of Schnittke's quirky vigour. Despite a polished performance at the Vienna State Opera, *Gesualdo* was coolly received.

This is the State Opera's first commission for 20 years. The idea for an opera about the 16th century Neapolitan aristocrat-composer came from the company's chief dramaturg, Richard Bletschacher, who wrote the libretto and seems to have made all the running in the way the project was shaped.

That is one of the problems with *Gesualdo*. Here is a conventional operatic drama about love and death, a perfectly serviceable vehicle for a traditional composer – but not the kind of material to fire the musical fantasy of Schnittke.

Gesualdo's life-story is tailor-made for the stage. He was the most noble-born of all major composers, the creator of madrigals of unusual power and harmonic complexity. He also murdered his wife and her lover. This combination has led to a fascination with Gesualdo down the centuries.

The opera is divided into seven scenes, with a prologue and epilogue sung *a capella* by five voices. Each scene has several interlocking sections. We witness the betrothal of Don Carlo Gesualdo and his beautiful cousin Donna Maria, the doubts of family elders about his suitability for marriage, Maria's disinterest in her husband's music, her seduction by the cavalier Don Fabrizio, and Gesualdo's revenge – brutally stabbing the lovers after trapping them *in flagrante delicto*. In the final scene Gesualdo kills the child of his marriage, fearing it might be a bastard.

Given the passions involved and Schnittke's track record for strong, emotive gestures, *Gesualdo* is disappointingly flat and inward-looking. Schnittke has drawn on the musical forms of Gesualdo's time, and fed them through a modernist palette. The orchestra plays a distant, shadowy role. There are prominent parts for organ, harpsichord, mandolin, and some amplified church bells, but only in the tense build-up to the double murder does Schnittke tap the power of brass and percussion, and allow us a glimpse of his own dramatic resources.

Such restraint has one benefit: the words are audible. But apart from some daring vocal leaps and snatches of falsetto, the solo lines rarely break out of a see-sawing monotony. Schnittke's one master-stroke is the scene where madrigalists interpret music which Gesualdo is simultaneously composing. This *Lied* about the all-consuming power of love is echoed by Fabrizio and Maria on either side of the stage, writing letters to each other in terms worthy of Tristan and Isolde.

The Vienna production was well sung by a cast of State Opera regulars, and smoothly conducted by Mstislav Rostropovich. Cesare Lievi's bloodless staging did nothing to flatter the work, which was confined within Davide Pizzigoni's all-purpose grey interior.

In the baritone title role, Peter Weber suggested not so much the "defenceless dreamer" described in the libretto, as a man seeking revenge. He looked commandingly distraught, and sang beautifully. Graciela Araya was the exotic, erotic Maria, full of voluptuous mezzo tones. With his Germanic tenor and plain looks, John Dickie was not the most natural casting for Fabrizio, but he threw himself into the part convincingly. There was strong support in smaller roles from Adrianne Pieczonka, Rudolf Mazzola, Peter Wimberger and Heinz Zednik.

Peter Weber and Graciela Araya in the murder scene

Opera/David Murray

Stiffelio revived

At the Royal Opera, Elijah Moshinsky's exemplary production of *Stiffelio* is back (revived by David Edwards) – and not a moment too soon, though it was first put on in 1993. For this staging of the 37-year-old Verdi's opera, in the edition newly prepared by its conductor Edward Downes, makes a formidable argument for elevating the piece to the "mature" Verdi canon forthwith, next to its immediate successor *Rigoletto*; indeed, it seems extraordinary that it should have gone (literally) unsung for so long.

Everything Verdi wrote after *Stiffelio* is famous: the sole exception, *Aroldo* (to be heard at the Royal Opera in a concert version on July 19 and 22), was a revised version of *Stiffelio* – the last of many. You might casually suppose that Verdi had simply hit his full stride with *Rigoletto*. Yet not only is *Luisa Miller*, which came a year before *Stiffelio*, better known; so are his immature and very uneven *Ernani*, *Nabucco* and *Macbeth*. In fact the eclipse of *Stiffelio* seems to have been mere bad luck, the eventual result of (a) the enforced chopping-and-changing that it suffered from the start, (b) its later transformation into *Aroldo*, implausibly re-located to the era of the Crusades, and (c) the consequent neglect (and unavailability) of the original score.

Thanks to Downes and Moshinsky, we now have a *Stiffelio* that speaks for itself most eloquently. It is remarkably dense and compact, in just over two hours of music – partly at the cost of motivations which the play spelled out: any programme-synopsis ought really to make good that lack. But the immediate feelings of everyone involved are rendered into music, *singers'* music, that is concentrated and shapely, tingles with vital invention and drives the drama home.

From Moshinsky's first cast, Catherine Malfitano, Robin Leggate and Gwynne Howell return as Lina, Rafaelle and the kindly old priest Jorg. They are, respectively, impassioned (if slightly harsh-voiced): faultlessly sensitive, elegant and anxious; and – well, Howell is *always* kindly to a fault. His pitch was off in two or three places that mattered. Leah-Marian Jones and Timothy Robinson made pleasing impressions in underwritten roles.

The new Stiffelio is the Argentinian tenor José Cura, formerly a conductor and composer. The voice has plenty of character, if so far not much inflected, and impressive power (the Royal Opera has already asked him back for *Il corsaro* and Giordano's *Fedora*, and *Boccanegra* in concert). Not having seen the first cast, I cannot say whether the decision to play the hero with the mien of a prophet-fanatic was Moshinsky's or Cura's own; it seemed a bit of lily-gilding.

The fourth member of the principal quartet is Lina's outraged father Stankar, who reels from covering the guilty couple's traces to vengeful murder. Anthony Michaels-Moore sang him at full throttle, and admittedly to great effect (he can act, too). The New Grove Opera says that Stankar's homicidal cabaletta "O gioia inesprimibile" is "performed almost entirely *sotto voce*": here, no way!

Theatre/Sarah Hemming

'Jozi Jozi' and fireworks launch the LIFT festival

The biennial London International Festival of Theatre (LIFT) has become an illuminating event in the theatre calendar. The month-long festival this year includes work from the new South Africa and reunited Germany, underground drama from China, a fistful of visual and experimental performance work (including Silviu Purcarete's hypnotic *Phaedra* from Romania, reviewed by this paper in Brighton) and celebrations of spaces in London.

The opening fireworks on Sunday night, staged on the Thames in front of County Hall, came into the last category and gave the festival an aptly theatrical lift-off. The more serious launch, however, came on Monday night with the first show under cover – *Jozi Jozi* at the Theatre Royal, Stratford East.

This mischievous *a capella* revue from the Market Theatre, Johannesburg, offers a glimpse of life in the "not so new South Africa" by detailing street life in Hillbrow, a run down part of the city where apartheid might no longer figure, but where every other social ill does.

John Ledwaba's show is a guided tour to the corruption, crime and violence of the area. Taxi firms stage open warfare, bums rub shoulders with the new black businessmen and robbery is performed with panache. Everything is presented with determined jauntiness: even the glue-sniffers perform a dizzy little number. Scenes melt into songs, songs into scenes, and the whole thing is linked together by a loose-limbed, likeable MC.

The success of Ledwaba's show lies in the ironic friction between its downbeat subject matter and its upbeat style, a combination of sarcasm and celebration that seems to offer a spot on theatrical response to the contradictory feelings of those living in this "city of complications". Ledwaba uses traditional African chants, choruses and dances, and combines them with barber's shop singing and blues, changing mood in an instant. And all are dazzlingly and precisely performed by the 10-strong, all-male, all-black cast.

But the show raises interesting questions about transporting culture. *Jozi Jozi's* style is irresistible, as is the enormously engaging, skilful cast. The sketches, however, are not so subtle and, to succeed, depend largely on recognition. We do not have recognition. We have curiousity, which takes us a long way, but not far enough. You begin to want something more: stronger punchlines, deeper characterisation, wittier writing – material to match the precision of the performances.

At its best, the show does bring all together: in the strongest, most sophisticated and eloquent scene a down-and-out does a thrilling Michael Jackson routine while the chorus try to drown him out with a traditional dance. This clash of styles is funny and exciting, but also succintly expresses complex cultural contradictions. If the whole show were at this level, it would be excellent.

But you cannot resist its generosity, or the warmth of the performers. And, at the end, the company gives a beautiful, solemn rendition of the new anthem for South Africa: a moving moment that captures all the spirit and hope that still underpins this mischievous show.

Theatre Royal, Stratford East to June 24 (0171 312-1995). Then tours to Colchester, Manchester, Leeds and Newcastle.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with violinist Jaap van Zweden. Zoltan Peskó conducts Rihm and Stockhausen; 8.15pm; Jun 17
GALLERIES
Beurs van Berlage Tel: (020) 626 0284
● Salvador Dali - Sculptures and Illustrations: retrospective of sculptural work from the 1930's onwards; to Aug 20
OPERA/BALLET
Het Concertgebouw Tel: (020) 671 8345
● The Magic Flute: by Mozart. A semi-staged performance conducted by John Eliot Gardiner. With the English Baroque Soloists and Monteverdi Choir; 7.30pm; Jun 20
Het Muziektheater Tel: (020) 551 8922
● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 16, 20

■ BERLIN

CONCERTS
Konzerthaus Tel: (020) 309 21 02/ 21 03
● Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 15, 16, 17
● Catalan Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvage; 7.30pm; Jun 18
● Radio Symphony Orchestra Berlin: with soprano Celine Lindsley, alto Jane Henschel and tenor Donald George. Rafael Frühbeck de Burgos conducts Mendelssohn; 7.30pm; Jun 16
OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Götz Friedrich; 7.30pm; Jun 15
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7.30pm; Jun 16
● Tristan und Isolde: by Wagner. Conducted by Jiři Kout and produced by Götz Friedrich; 5.30pm; Jun 18

■ BRUSSELS

CONCERTS
De Munt/La Monnaie Tel: (02) 218 2211
● Juliane Banse: soprano accompanied by pianist Wolfram Rieger; 8pm; Jun 16
OPERA/BALLET
De Munt/La Monnaie Tel: (02) 218 2211
● The Masked Ball: by Verdi. Conducted by Antonio Pappano and produced by Guy Joosten. Soloists include Franco Farina/Richard Margison, Edouardo Tumagyan/ William Stone and Elena Zaremba; 8pm; Jun 14, 15, 17, 18 (3pm), 20

■ FRANKFURT

OPERA/BALLET
Oper Frankfurt Tel: (069) 23 60 61
● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumstadt and produced by Werner Schroeter. Soloists include Valeri Alexejev, Ryszard Karczykowski and Christine Ciesinski; 7.30pm; Jun 15, 18 (3.30pm)

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● London Symphony Orchestra: with soprano Cheryl Studer and cellist Tim Hugh. Andre Previn conducts Mozart, Beethoven and Strauss; 7.30pm; Jun 15
● London Symphony Orchestra: with soprano Cheryl Studer. Andre Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7.30pm; Jun 18
● Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Opie for a concert performance; 7.30pm; Jun 20
● Royal Philharmonic Orchestra: with violinist Jonathan Carney. Yehudi Menuhin conducts Mozart, Takemitsu and Brahms and Sir Peter Maxwell Davies conducts the London premiere of his "Time and the Raven: United Nations Overture", written for the 50th anniversary celebrations of the United Nations; 7.30pm; Jun 14
Royal Festival Hall Tel: (0171) 928 8800
● Itzhak Perlman: Yoel Levi conducts Bernstein, Barber and Tchaikovsky; 7.30pm; Jun 15
● Itzhak Perlman: Yoel Levi conducts Sibelius and Mendelssohn; 7.30pm; Jun 17
● New York Philharmonic: Kurt Masur conducts Strauss' "Metamorphosen" and Beethoven's "Symphony No.3"; 7.30pm; Jun 16
● Philharmonia Orchestra: with pianist Paul Crossley. Esa-Pekka Salonen conducts Messiaen's "Turangalila Symphony"; 7.30pm; Jun 20
GALLERIES
Barbican Tel: (0171) 638 8891
● George Rodger: approximately 250 pictures in a retrospective which includes pictures taken during WWII; to Aug 27
Riverside Studios Tel: (0181) 741 2251
● Yevgenny Khaldei: war photographs by the artist who was employed by the Tass news agency during WWII; to Jun 17
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Duykers and Rodney Gilfry/Peter Coleman-Wright; 7.30pm; Jun 15
THEATRE
National, Cottesloe Tel: (0171) 928 2252
● Richard II: by Shakespeare. Deborah Warner's new production featuring Fiona Shaw as the king; 7.15pm; Jun 14 (2pm)
National, Olivier Tel: (0171) 928 2252
● Under Milk Wood: by Dylan Thomas. Directed by Roger Michell and stars Robert Blythe; 7.15pm; Jun 14
● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Jun 19, 20

■ NEW YORK

THEATRE
Plymouth Theater Tel: (212) 239 6200
● Chronicle of a Death Foretold: book by Gabriel Garcia Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; from Jun 15 (not Mon)

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Choir and Orchestra of Les Arts Florissants: with soprano Susan Bullock, alto Susan Bickley, tenor Mark Padmore and bass Thierry Félix. William Christie conducts Beethoven; 8pm; Jun 16
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with soprano Monica Pick-Hieronimi, mezzo-soprano Nadja Michael, tenor Thomas Dewald and bass Michael Volle. Charles Dutoit conducts Beethoven's "Symphony No.1" and "Symphony No.9"; 8pm; Jun 14, 15
GALLERIES
Louvre Tel: (1) 42 60 39 26
● Hans Memling: exhibition of paintings by the Dutch master to commemorate the 500th anniversary of his death; to Aug 14

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Austrian Radio Symphony Orchestra: accompanied by the Viennese Youth Choir and soprano Nina Stemme, alto Claudia Schubert and bass Robert Holl. Martin Sieghart conducts Rubin and Haydn in a concert to commemorate the 50th anniversary of the end of WWII; 7.30pm; Jun 19
● Les Arts Florissants: William Christie conducts soprano Susan Bullock, mezzo-soprano Susan Bickley and tenor Marc Padmore to play Beethoven; 7.30pm; Jun 14

■ WASHINGTON

GALLERIES
National Gallery Tel: (202) 737 4215
● Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Sep 4
THEATRE
Kennedy Center Tel: (202) 467 4600
● Angels in America: Perestroika. Part Two of the Tony Kushner award-winning play about politics, sex and religion. Stars Jonathan Hadary; 7.30pm; to Jul 9 (not Mon)

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Financial Times Business Tonight

Bargain time in Mexico

Leslie Crawford and Lisa Bransten on rising foreign investment after the peso's fall

Mexican assets have rarely been so cheap. After the chaotic devaluation of the peso, many companies are in distress and vulnerable to predators as a result of a sudden recession and the central bank's stranglehold on credit. Others are actively searching for foreign partners.

Plenty of foreign investors see opportunities in Mexico's financial woes, which came to a head in December when the government's rising short-term foreign debt burden and the current account deficit became unmanageable.

Equity fund managers abandoned Mexico's sinking stock market, but the trade and industry ministry authorised $3.7bn of direct foreign investment in the first two months of the year. Not all this money enters the country immediately, but the figure points to an encouraging trend: foreign direct investment has increased four-fold compared with the same period in 1994, and it is a more reliable source of funds than the speculative capital that flowed into Mexico's equity and money markets before the crisis.

Mexican banks are leading the search for foreign equity partners; the loan defaults after the devaluation of the *peso have eroded their capital* base. Banco Bilbao Vizcaya of Spain last month became the first foreign bank to acquire a majority shareholding in a Mexican financial group when it took control of Probursa, a small bank burdened with a large portfolio of bad debts. The government helped the transaction by agreeing to take $800m of bad loans off Probursa's balance sheet.

The government, which has channelled billions of dollars into the banking system to prevent its collapse, hopes other foreign banks will follow in Banco Bilbao Vizcaya's footsteps. *The World Bank is about* to approve a $1.5bn loan to help the government sanitise portfolios of the weakest institutions to make them more attractive to foreign buyers.

"The Probursa deal has provided the template for more foreign takeovers," says Mr Eduardo Cepeda, director-general of J.P. Morgan in Mexico. "Foreign banks may begin to show an interest in Mexico's financial groups now that the government has indicated it is prepared to absorb a large part of the loan losses."

Hotels are also for sale, as the dearth and the cost of domestic credit have halted the development of tourism projects. Situr, the country's largest holiday resort developer, says it is discussing a joint venture with US insurance group AEW which would give the latter an equity stake in 15 of Situr's prime hotels.

"The devaluation has speeded Mexico's integration into the US economy," says Mr Kenneth Prysor-Jones, Situr's managing director. He believes joint ventures with foreign partners will become the preferred mode of survival for most of Mexico's property developers.

The franchising industry, which relied on the taste for foreign goods acquired by Mexico's newly-affluent middle classes, is also in trouble as a result of the collapse in real wages. Fast-food chains, clothes stores and video outlets bearing well-known US logos are struggling with dwindling sales and heavy franchise costs.

Grupo Mexicano de Video, which held the Blockbuster video rental franchise in Mexico, was the first to be taken over. It was bought *by Blockbuster Corp of the US*, which injected $35m to clear debts. Mr Guillermo Rotman, Blockbuster's vice-president for Latin America, has placed its Mexican subsidiary under new management. And despite the recession, he says 20 stores will be opened this year.

Mr John Liegey of the Weston Group, a specialty emerging markets investment bank in New York, expects to see many acquisitions within the next two months, particularly in the property sector.

He says: "US companies that are already down there have lost a lot of money and they are timid, but there are other companies that don't have exposure who are saying that now is a very good time to go in and buy cheap assets."

The Mexican Investment Board also has examples of the interest generated by the peso's halving in value against the dollar over the past six months. It says Lithonia Lighting of the US, a subsidiary of National Service Industries, was looking for a manufacturing site in the northern city of Monterrey last year. After the devaluation, it decided to buy an entire industrial park.

J.P. Morgan says it has a "full pipeline of deals" that will soon see the light of day now that Mexico's financial situation appears to have stabilised. The peso has steadied at *around 6.20 to the dollar*, compared with 7.45 during the worst of the financial turmoil in early March. Inflation is under control, and fears that Mexico might default on its foreign debt have receded.

J.P. Morgan advised C-Tec, a New Jersey-based cable television and telephone company, on its $84m acquisition of a 40 per cent stake in Megacable, Mexico's second biggest cable operator.

Negotiations began before the crisis and the deal was finalised in the midst of the financial turmoil in January. It was the first major equity investment in Mexico following the initial devaluation in December, and the reduced value of the peso allowed C-Tec to pay substantially less in dollars than it had first offered.

"We went in because we got a renegotiated deal that reflected the changed conditions," says Mr Mark Haverkate, C-Tec's executive vice-president. "People who are in the market sooner than others have an advantage."

Some investment bankers add a note of caution. Mexico is in the trough of a recession, out of which only a few sectors of the economy, such as *exports and tourism, are expec*ted to emerge unscathed.

"Prior to the devaluation, Mexico was on the top of everyone's list along with a couple of other countries," says Mr William de Jonge, a managing director for Latin American mergers and acquisitions at J.P. Morgan. "Now it is not at the top. It is not as hot as it was."

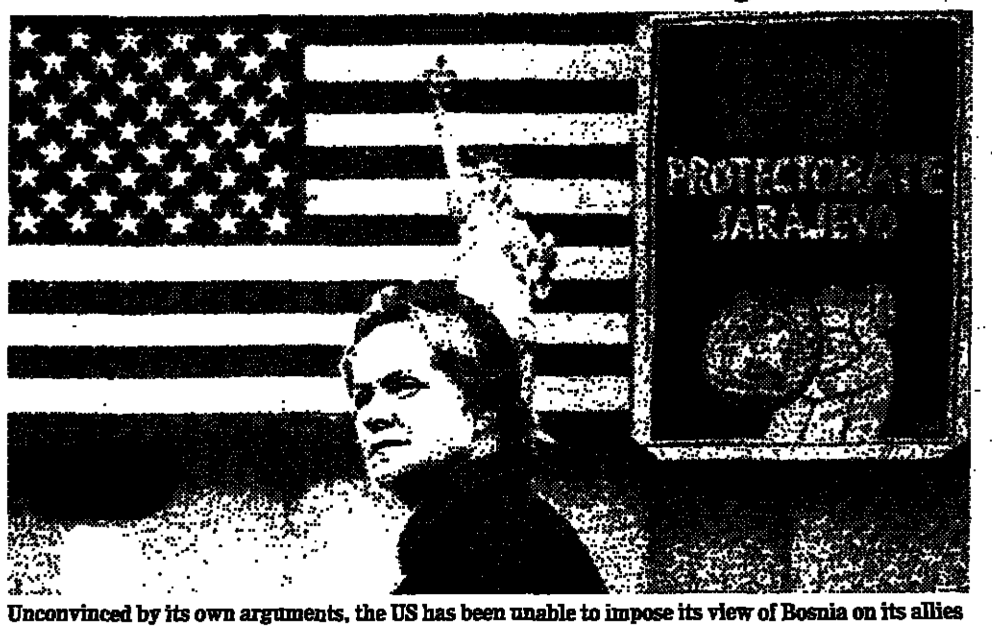
Many foreign businesses, however, believe the low price of Mexican assets is a chance too good to be missed. "We focused on Mexico's long-term growth potential," says C-Tec's Mr Haverkate. "We think Mexico has a lot of growth ahead."

Edward Mortimer

One issue will not be on the formal agenda of tomorrow's *Halifax* summit, but will – in some form or other – be in the minds of all those present. As they shake hands with President Bill Clinton, the leaders of the other six leading industrial countries are bound to be thinking: "This man is supposed to be the leader of the free world. Does he know what he's doing? Is he really in charge? Do his countrymen know or care what happens to the rest of us?"

No end in sight to uncertainty

The US increasingly believes that unilateral action is more effective than working with allies



Unconvinced by its own arguments, the US has been unable to impose its view of Bosnia on its allies

Anxiety about the US among its allies is not a new phenome*non. It was a recurrent, almost* constant, feature of the cold war.

Many Americans regarded the Europeans as wimps for their concern over relations with their Russian neighbour, and the Japanese as free riders for developing economic power behind a US shield. For their part, the Europeans and Japanese worried alternately that the US might lose interest in their security or that it would involve them in an unnecessary and possibly terminal confrontation with the "evil empire".

In the 1970s, and again in the late 1980s, there was also the fear that the US would be so weakened by economic decline or internal divisions that it would no longer be able to sustain its overseas commitments.

By and large those fears were exaggerated. The US retained its position as the world's largest and strongest economy. It also remained capable of translating that economic strength into military power and political influence in a way that none of its allies or rivals could. There were zigzags and hesitations, but the overall purpose of containing Soviet power held steady.

*Today's anxieties are differ*ent because there is no longer any clear overall purpose: no "mission statement" to which the workforce of America Inc. can respond. Two years ago Mr Anthony Lake, Mr Clinton's national security adviser, had a stab at drafting one. The goal of US foreign policy, he suggested, should now be the "enlargement" of the "community of market democracies". Somehow the slogan failed to catch on.

Mr Clinton came to power alleging that his predecessor, Mr George Bush, had devoted too much time to foreign policy at the expense of domestic problems. Of course, he did not expect to be able to ignore foreign policy altogether. No president could. But he obviously wanted to focus more on domestic issues.

That being so, he made a crucial and puzzling mistake right at the beginning, in his choice of secretary of state. Mr Warren Christopher is a patient and skilful negotiator, but no one could call him a man of big ideas or strategic vision, or one capable of impos*ing his point of view on col*leagues by sheer force of personality. He might have been just the man to implement foreign policy for a president with clear ideas of his own, who wanted to keep strategic decisions firmly in his own hands. But Mr Clinton is not such a president.

The result has been drift and uncertainty on all too many issues:

- Somalia was, admittedly, a time bomb left behind by Mr Bush, but Mr Clinton spectacularly failed to defuse it. First he dragged the UN into an ill-thought-out confrontation with a Somali warlord, then precipitately withdrew US forces, leaving everyone else in the lurch. The episode severely damaged the UN's reputation, and especially the willingness of the US body politic to commit troops to UN operations.
- Bosnia, where the administration has been unable to impose its view of the conflict on its allies, at least partly because it has never seemed fully convinced by its own arguments.

Formally, the US has joined *western Europe and Russia in* seeking a negotiated solution based on acceptance of the unpleasant reality of Serb military gains. This apparent betrayal of the Bosnians has infuriated many people in Washington, including powerful members of Congress; and the administration has sought to deflect criticism by insisting on sporadic use of force, which in turn has infuriated the UK and France by making the position of their troops on the ground even more difficult. Not only is there no strategy: there are tactics that make it impossible for anyone else to have a strategy.

Even if one takes the view that those two crises are sideshows of limited strategic significance, the administration cannot escape criticism for allowing them to do so much damage to the UN and Nato. On bigger issues, its policy is hardly much more coherent:

- In its relations with China, the US insisted on linking trade to human rights for a year and a half, only to reverse when it found itself driving straight into a brick wall – a *wise decision, on balance, but* one it would have been wiser still to avoid needing to take.
- After completing the Uruguay Round and setting up the World Trade Organisation, the US is now undermining that success by trying to beat down alleged Japanese trade barriers with a bilateral blunt instrument.
- On the difficult issue of relations with Russia and central and eastern Europe, the administration has also failed to give a clear lead. It has come out in favour of expanding Nato without as yet saying clearly which countries should be admitted, or adequately articulating the rationale for their inclusion. This has upset the Russians while leaving the central and eastern Europeans in a state of uncertainty. States unlikely to be included, such as the Baltic republics, fear an "Acheson effect", whereby they would be implicitly consigned to a Russian sphere of influence.*

Mr Clinton's foreign policy has had some successes: ratification of the North American *Free Trade Agreement* as well as the Uruguay round; withdrawal of Russian troops from the Baltic states; removal of nuclear weapons from Ukraine; the Middle East peace process; and indefinite extension of the nuclear non-proliferation treaty.

But the overall impression of drift remains. If possible, things have become even worse since last November, because the administration has had, at best, only partial control of foreign policy. Many of its initiatives, from the trade embargo on Iran to the demand for air strikes in Bosnia, seem to spring from the need to pre-empt more radical moves in Congress rather than a considered analysis of the issues. And its ability to spend money on foreign policy is tightly circumscribed.

Many of the new congressional intake have little or no interest in foreign affairs. The result is not isolationism, but unilateralism: a belief that the US can act more effectively on its own, and should not let faint-hearted allies get in its way.

Senator Robert Dole, now emerging as the probable challenger to Mr Clinton in next year's election, may not share that belief in his heart. He might even, once elected, return to a foreign policy quite similar to that of Mr Bush. But neither he nor Mr Clinton can hope to win many votes by *stressing the need for the US to* work with allies or to contribute to multilateral institutions, whereas they may hope to win some by reacting "forcefully" to unpleasant events, of which there will be no shortage in Russia and elsewhere.

The next year and a half will not be a good time to look to the US for wise and far-sighted leadership.

**So called after a famous speech by Mr Dean Acheson, the US secretary of state in 1950, listing east Asian countries the US was committed to defend. He omitted South Korea, which was invaded by the north a few weeks later.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Meaning of research unclear

From Mr A.J. Tinsley.

Sir, Henrietta Irving is right to point out (Letters, June 1) that there is in the UK an incentive to spend on scientific research.

It is a pity, however, that much of the incentive value is lost because of uncertainty about what is meant by "scientific research" in the legislation. The relevant definition in section 139 of the Capital Allowances Act 1990 is singularly unhelpful and clarity is difficult to find elsewhere.

A prerequisite for an incentive to produce a desired effect *is that the promised benefit* should be certain.

The amounts involved in relation to research projects are likely to be significant to investing businesses and the cash flow difference between a 100 per cent immediate tax write-off and 25 per cent per annum depreciation on a reducing balance basis might well be crucial to a capital proposal.

If, indeed, a scientific research allowance is intended to encourage businesses to invest in research, there is surely nothing to be lost by having a transparent explanation of the scope of the accelerated allowance.

A.J. Tinsley,
Duinvoetlaan 4,
2243 GL Wassenaar,
The Netherlands

Limit fund flow to avert crises

From Dr S. Griffith-Jones and Prof Sir Hans Singer.

Sir, The measures to be discussed at Halifax by the G7 which you report ("Move to boost IMF crisis funds", June 8) are to be greatly welcomed. It seems valuable to enhance International Monetary Fund resources to handle Mexico-style financial emergencies. Equally, or more important, as you report, are measures to prevent such crises occurring. This would require enhanced surveillance of countries' macro-economic policies, a subject on which there is much agreement. However, there is somewhat less agreement on another important measure: if the volatility of short-term capital inflows is an important factor in explaining Mexican-style financial crises, should countries receiving excessive short-term flows not discourage them temporarily?

For example, Chile designed in the early 1990s a number of measures, such as reserve requirement and a tax on inflows of less than one year. These measures were successful, and, together with other policies, allowed that country to cope better than Mexico with surges in capital flows. Similar experience of Asian countries like Malaysia also seems to show that temporary discouragement of short-term flows may actually increase the sustainability of more long-term capital inflows, and decrease the likelihood of costly Mexican-style financial crises. Apart from actions by recipient countries, should not the IMF take steps to discourage excessive short-term flows?

S. Griffith-Jones,
Prof Sir Hans Singer,
Institute of Development Studies,
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Leave utilities to the private sector

From Mr William J. Heard.

Sir, As a shareholder in a number of privatised utilities, I now long for the first successful takeover.

These valuable enterprises are starting to look like beached whales waiting to be picked to pieces by the politicians. The reaction of the utilities' senior executives has become alarming: racked with the guilt of huge pay rises and excessive bonuses, some have now decided to "share" many millions of pounds of what they are calling "unbudgeted *cost savings" – but which I* would call profits – between shareholders and customers. This is absurd. A company's profits belong to its shareholders and to no one else. While any monopolistic advantage remains, there will be a need for regulation but the regulatory regime should be formalised and predictable. Professor Stephen Littlechild, the electricity regulator, and his colleagues may act but, having acted, they should retire to the sidelines until the next review becomes due. Nor should those managing the utilities be afraid to appeal against regulators' findings when it is in the financial interests of their shareholders to do so.

I am confident that with the *first successful bid* by a conglomerate such as Trafalgar House, Hanson or BTR, the mood will change; these businesses will then be removed from the political limelight and start to be run as fully fledged members of the private sector to which they rightly belong. The control of executives' remuneration would follow naturally: Lord Hanson is not known for allowing unmerited remuneration among his divisional executives.

We must also take care to separate the management of these businesses from responsibility for the development of the policies which affect the resources on which the businesses are based (Letters, June 12). Resource management policy is for those managing utilities to observe but for government alone to establish.

William J. Heard,
49 Park Lane (5th floor),
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Bosnia a problem for Europe to resolve

From Mr Michael Dundon.

Sir, I have read many articles during the past few years concerning the tragic events in the former Yugoslavia, in particular those commenting on the participation (or lack therein) of the US. My letter is in response to Joe Rogaly's column headlined "The lion's distant roar"(June 3/4). It seems to me that Europe's attitude toward the US has been a bit schizophrenic with regards to this conflict. It is plain that the US, and, more importantly, the American people, do not want to be embroiled in a Balkan land war.

As a non-isolationist member of the American public, I consider this episode to be a European problem. Instead of complaining about the non-participation of American forces, Europeans should be clamouring loud and clear for German soldiers to be put in the line of fire.

Europe, particularly France, has been telling successive US administrations of the need to accept, whether we like it or not, a stronger Europe.

Clearly, this stronger Europe cannot be brought about without Germany. Instead of highlighting a trend towards neo-isolationism in America, the events in Bosnia have shown France and the UK to be middle size powers in a big power problem.

Yes, the US could tip the scales in this conflict, but so could Germany. Why should Americans go to die in a far away place that means nothing to us strategically when the people who should be there are hiding behind a constitution which should be amended given sufficient political, and national, courage.

Only then would large scale US intervention be reasonable.

Michael Dundon,
18333 Palmer Avenue,
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Larchmont,
New York 10538,
US

Not in our back yard

From Mr Howard Leigh.

Sir, I note that in the June 12 issue of the Financial Times a part of London which is perilously close to our offices has been marked by Philip Morris in its advertisement as a smoking section.

May I make a formal request that this area be formally moved further away due to the inconvenience and the unpleasantness that this will cause.

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Kohl treads carefully

Last September Helmut Kohl's Christian Democratic Union caused near-panic in some European capitals by publishing a set of "reflections on European policy". These included a proposal to strengthen "the existing hard core of countries oriented to greater integration and closer co-operation", and called for a "federal state", with the European parliament and council of ministers as equal partners in a two-chamber legislature and the Commission having "features of a European government".

That paper now seems to have been a "softening up" exercise, aimed at making other Europeans aware of Germany's federalist vision, rather than as a serious basis for negotiation.

If so, it has had the desired effect, in as much as the new documents published yesterday, after a meeting which the chancellor himself attended, looks modest by comparison. Mr Kohl does not expect next year's intergovernmental conference to be easy, but he does want it to reach agreement. That means making proposals that have some chance of acceptance by other member states.

German objectives and arguments have been re-cast in a form intended to cause minimum offence in Paris and even in London (although the working assumption in Bonn and Brussels is now that full agreement will not be reached until after the next British general election). Accordingly, all talk of a hard core and a federal state has been dropped. There is much less emphasis than before on increasing the powers of parliament, and nothing about the Commission being a government.

The new documents concentrate on arguing for greater efficiency in the two new areas of co-operation designated by the Maastricht treaty: the common foreign and security policy (pillar two) and justice and home affairs (pillar three). The Germans never liked these separate, intergovernmental "pillars", but they do not go as far as the Spaniards in suggesting they should now be abolished altogether and folded into the supranational community structure.

In effect, they accept the separate character of foreign and security policy. They call for it to be serviced by a separate department – more like a national security council than a mere secretariat – and streamlined by a double majority voting system making it possible for small states, but rarely large ones, to be outvoted, with an opt-out clause in the case of decisions that have military implications. In the case of the third pillar, which involves the making and enforcement of rules, they are more insistent on having a proper legislative and judicial process.

These proposals will not of course be accepted as they stand. But they do form a basis for serious discussion among states that want the union to work, while preserving the sovereignty and national character of the member states.

Clarke's task

With only one Budget a year, the annual Mansion House speech by the UK's chancellor of the exchequer has gained in importance. This year it is even more important than usual. The background to the chancellor's speech includes presumed differences on interest-rate policy with the Bank of England and pressure for all kinds of silliness from the Tory backbenches. Mr Clarke's task, as politician and chancellor, is to provide a robust defence of sensible Conservative policies: low inflation, a modest overall tax burden, sustainable public finances and flexible labour markets, combined with support for the low paid.

Lady Thatcher complains about the tax increases of the past two years. But these were inescapable, given the depth of a recession dictated far more by the need to lower inflation than by ERM membership. She also complains about the withdrawal of support for housing. But that policy has been little short of disastrous. Far too many people now have all their financial eggs invested in their nests. Worst of all, they also have a strong desire to see the onset of higher inflation.

The present monetary regime, put together in great haste immediately after sterling's exit from the exchange rate mechanism in September 1992, is a classic example of British improvisation. On the whole, it is a good example. Intermediate targets failed; so target the ultimate objective. Higher output cannot be secured in the long term by lax monetary policy; so target inflation. Cyclical conditions cannot be ignored, so provide a range for that target. Decision-makers need to be held accountable for failure or success; so target a range, not a single point that can never be achieved.

The confusion of responsibility between the Bank of England and the chancellor is open to criticism. But the Bank's inflation report, together with publication of the minutes of the meeting of the chancellor with the governor, has improved the regime immeasurably.

A new target range is needed. When the 1-4 per cent target was first enunciated, in October 1992, the long-term aim was held to be price stability, defined as inflation at 2 per cent or less. If the new target were 0-4 per cent, it would be perceived, perhaps rightly, as the first in a series of relaxations. 0-3 per cent would be better, even if hitting it would be more difficult. Some suggest there should be a point target of, say, 2 per cent, instead. It would be far better if a point target were offered *in addition* and, ideally, it would be in the middle of the range.

The aim must never be forgotten. Too many British politicians remain wedded to the "pragmatic" view that sovereignty means being able to do whatever they like in response to short-term pressures. This is not pragmatic. It is ruinous folly. The question confronting the British people is whether they are able to resist the appeal of infantile inflationary gratification. Mr Clarke's job is that of all chancellors: to stand up for the grown ups.

Murdoch in China

At first sight they are an ill-assorted pair. Mr Rupert Murdoch is the swash-buckling entrepreneur whose media empire is the epitome of Western capitalism. The People's Daily is the staid mouthpiece of Chinese communist party, so renowned for its orthodoxy that it is known as the party's "throat and tongue." Yet the two have combined in a electronic publishing venture that could give Mr Murdoch the edge as a foreign participant in China's growing media market.

Look closely and the partnership seems less unnatural. Communism of the Chinese variety does not frown on entrepreneurs, but it is concerned with control of information flows.

Mr Murdoch has never been particularly concerned with ideology when dealing with governments. He changed his nationality to further his commercial interests in the US. He offended Beijing two years ago by saying that satellite television and other telecommunications were an unambiguous threat to totalitarian regimes. But then he quickly removed the BBC World channel from the satellite that reaches China in order to improve his business prospects with Beijing.

That may make him the sort of media person with whom China likes to deal. Like other Asian countries, China is fascinated by the technological revolution of the media.

Indeed, through its involvement in electronics manufacturing, its growth aspirations are intimately bound up in that revolution. Inevitably the People's Daily wants to explore the possibilities like any other paper.

Yet its flirtation with the new world of information is also a nervous one. Even hardened communists know in their hearts that Mr Murdoch had a point about totalitarian regimes. In today's high-tech world, information is harder to control.

Mr Murdoch, who has worked long and hard for this deal, not least through his assiduous cultivation of the family of paramount leader Deng Xiaoping, looks as safe a pair of hands as any. The advantage for him is that he is getting into the Chinese market on the ground floor.

While the Chinese media remains strictly controlled, there may not be many similar opportunities for others. That lends the collaboration a certain aura of exclusivity which must suit both sides. The Chinese authorities can harness the new technology without running serious risks.

Yet the unpalatable truth for the Beijing leadership is that information flows cannot be controlled indefinitely. Sooner or later developments like the Internet will put too much information beyond the censor's reach. Then it will be harder for the party to retain its grip on power, and China's media market will perforce become a free for all. But presumably Mr Murdoch, ever the shrewd deal-maker, will already have earned a good return from his still modest investment.

Limitations to a leadership role

The G7 may have to be more conciliatory if it is to win support for institutional reforms, says **Peter Norman**

The significance of international meetings usually only becomes clear long after the event.

This will be especially true of this year's Group of Seven summit meeting at Halifax, Nova Scotia. For the test of the summit, which starts on Thursday in this east Canadian port, will be how far it succeeds in coaxing a response from countries not represented around the conference table.

The big industrialised countries now account for less than 50 per cent of global economic output, and they need the support of the developing world to push forward their plans for reform of international institutions. Although the summit's communiqué on the economic and political issues facing the world will be phrased to convey an aura of power and confidence, the G7 nations and their leaders have seen their stature much diminished.

A quick glance at the US, Japan, Germany, France, Britain, Italy and Canada shows that most of the leaders are deeply unpopular with their own electorates. That is particularly true of Mr John Major, the UK prime minister. In the US, power has been shifting to Mr Newt Gingrich, the Republican House speaker, from President Bill Clinton who will be at the summit.

Although endowed with more executive power than most of his fellow leaders, Mr Jacques Chirac, the newly elected Gaullist president of France, only achieved his present pre-eminence after coming second to a socialist in the first round of the French presidential elections.

Mr Tomiichi Murayama, the Japanese leader at the head of a fragile coalition, has been having to fend off calls for his resignation this month. In Italy, the position of Mr Lamberto Dini, heading a government of technocrats, was looking less secure this week after the victory of Mr Silvio Berlusconi, the former prime minister, in a weekend referendum on his television interests.

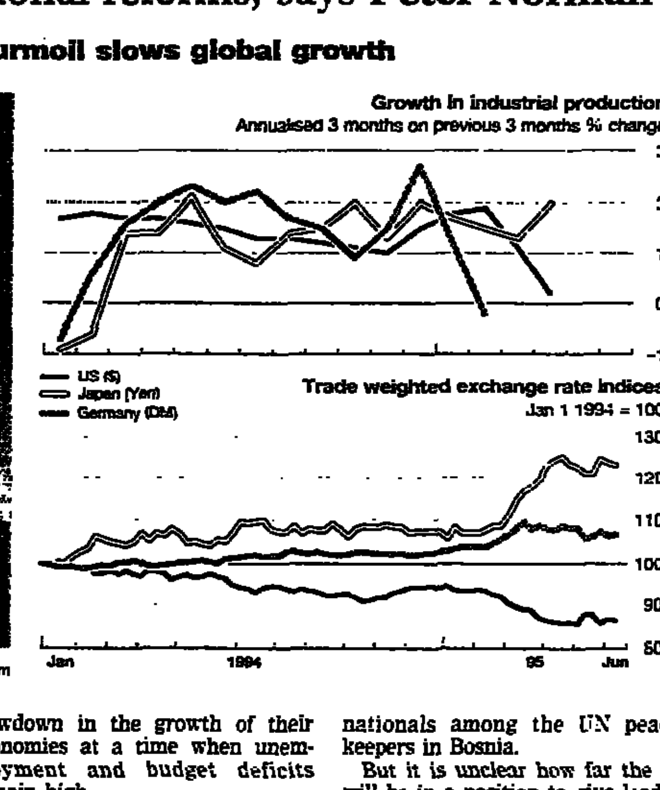
Mr Helmut Kohl, Germany's chancellor, is the longest serving summiteer and Europe's most powerful political figure. But he has to look over his shoulder and bear in mind the chronic weakness of his small Free Democrat coalition partner.

Even the summit host, Mr Jean Chrétien, the Canadian prime minister, has seen some of the lustre fade from his dominant position at home with the heavy defeat of his Liberal party in the Ontario provincial elections by the Conservatives.

Weakness at home has been matched by a lack of appetite for international policy co-operation. The G7, which in the late 1980s began to fancy itself as a directorate giving a lead to the global economy, has been trailing behind events in the approach to the Halifax summit.

The big three: currency turmoil slows global growth

Jean Chrétien, G7 host



Source: Datastream

The US and Japan, the two biggest G7 economies, will come to the summit embroiled in a bitter trade dispute over cars that could undermine the authority of the newly created World Trade Organisation before the WTO has been able to get on its feet.

Not surprisingly, in an age of large, free-flowing capital movements, the G7 has been unable to prevent this year's potentially damaging depreciation of the dollar against the Japanese yen and D-Mark. A bout of concerted central bank intervention to prop up the US currency at the end of last month has probably been sufficient to neutralise any heavy selling ahead of the meeting. At most, the summit will agree that the way to greater currency stability lies through sound economic and financial policies at home.

It is probably to the good that the G7 will reject quick-fix measures as a response to the divergence of their currencies. Many economists are concerned that the leaders appear unruffled by signs of a slowdown in the growth of their economies at a time when unemployment and budget deficits remain high.

Then there is Bosnia. It would be wholly in keeping with the tradition of past G7 summits if as yet unforeseen twists to the Bosnian crisis were to dominate the two days of talks. At least the Halifax meeting should be a good place to discuss the crisis.

It is probably to the good that the G7 will reject quick fixes as a response to the divergence of their currencies

All five members of the Bosnian contact group – the US, Russia, France, Britain and Germany – will be there once Mr Boris Yeltsin, the Russian president, has joined the talks at a working dinner on Friday. Italy is geographically close to the crisis area and Canada has its nationals among the UN peacekeepers in Bosnia.

But it is unclear how far the G7 will be in a position to give leadership following last week's US House of Representatives vote for a unilateral lifting of the arms embargo against Bosnia.

This bleak appraisal of the G7 and their place in the world, however, does not mean that Halifax need be a non-event. On one important issue – the review of international institutions initiated at last year's G7 summit in Naples – relative weakness could turn out to be a virtue.

A more conciliatory G7, which recognises that it can no longer aspire to setting a global agenda on its own, may stand a better chance of winning support for improvements in the operation of such bodies as the International Monetary Fund and World Bank and reform of the United Nations and its many agencies.

Fifty years ago, a handful of countries, led by the US, Britain and the then Soviet Union, could dictate the shape of the institutions of the post-second world war world. This week, at their 21st annual summit, the big industrialised democracies will acknowledge that they can only proceed and prosper in partnership with a host of others.

Although the draft of the economic communiqué that was leaked last week will probably be extensively rewritten – if only to prove to the outside world that G7 communiqués are not prepared entirely in advance – it is unlikely to reject the view that "the world economy has changed beyond all recognition over the last 50 years".

Globalisation has led to increased economic interdependence. In the words of the draft: "The major challenge confronting us is to manage this increased interdependence, while working with the grain of markets, and recognising the growing number of important players."

G7 members have already been trying to spread the idea of reforming institutions of international co-operation among developing countries. The response from some countries such as Brazil has been positive, especially at finance minister level.

Among the seven there is broad agreement on which improvements they should propose to make the IMF and other international financial institutions more effective in the wake of Mexico's financial crisis earlier this year.

They centre on strengthening the IMF's early-warning systems and lining up sufficient liquidity to tackle emergencies, in particular through a doubling of the $28bn in funds made available by leading industrialised countries and other reserve-rich nations through the fund's "general arrangements to borrow".

Although the leaked draft has made clear that the G7 leaders will find it more difficult to reach a consensus on reforming the UN and its various agencies – often criticised for high spending and inefficiency – the differences are more of approach than substance.

The text makes clear that all G7 countries agree that the process of reforming the UN "must be broadened and deepened". But some countries, such as the US and Britain, want to give specific pointers as to which UN institutions should be reformed or even closed; while others, notably Germany and France, prefer a vaguer approach for fear of offending influential developing countries whose support will be essential for reform.

There should therefore be sufficient common ground on institutional reform among the G7 countries for Mr Chrétien to declare the summit a success. If so, the problem for the rest of us will be that it will take at least two years to find out whether he is right.

Affirmative action to right past wrongs is under close scrutiny, says **Jurek Martin**

In pursuit of a middle way

Nowhere is it written in tablets that all three branches of the US government must tackle the same subject simultaneously.

But when the presidency, the legislature and the judiciary are in rough lockstep, it is more than a fair bet that change is in the wind and that, in this case, 30 years of affirmative action programmes designed to redress past injustices to minorities and women are about to be put on a much tighter rein, if they continue to gallop at all.

On Monday morning, the US Supreme Court presumed to suggest that if the federal government set broader affirmative action standards than the states, which are restricted by a previous 1989 Court ruling, it might be in breach of the Constitution. The ruling was not definitive – it merely sent a test case back to the lower courts – but, as Justice Sandra Day O'Connor wrote for the five-four majority on the bench, it "alters the playing field in some important respects".

It was enough for Senator Robert Dole. On Monday afternoon, the majority leader and leading Republican presidential contender said Congress should review all preference programmes. He is not the first to take this stand. Two weeks ago, Governor Pete Wilson of California, another potential Republican candidate, struck down all state affirmative action programmes in his remit. Among leading conservatives, only Mr Newt Gingrich, the Speaker, was relatively circumspect in his reaction, but even he thought that at a minimum congressional hearings were in order.

Over at the White House, President Bill Clinton is already deep into an internal policy review on the subject, convinced that it looms as a major election issue next year. He has spoken all year of the understandable concerns of the "angry white male" about reverse discrimination, without offending his liberal constituency by saying that affirmative action has outlived its usefulness. Progress reports of the review say that it will come out firmly against all numerical quotas and subject existing programmes to rigid cost-benefit analyses.

The federal government currently has about 180 different statutes, executive orders and regulations intended to help women and minorities and, prior to Monday, legal challenges to them had been generally unsuccessful. Over 100,000 companies and universities with federal contracts worth more than $50,000 must commit themselves to the hiring and promotion of women and minorities.

This has proved less of a problem for large corporations, most of which have adopted, often for reasons of their own, affirmative action programmes which they claim are working well enough. But small businesses, often dependent on federal contracts, have objected they cannot meet the required standards. They may be in the forefront of litigation in the wake of the Court's ruling.

The test case half-resolved on Monday was very typical – a small white-owned sub-contractor had put in the lowest bid to install guardrails on a federal highway in Colorado but lost out to an Hispanic-owned firm because, it alleged, of the transportation department's financial incentives. These were available to the main contractor if at least 10 per cent of the total work went to minority companies.

In effect, the Court found that particular programme went too far, reversing at least two earlier verdicts in the same area. But it did not disqualify the federal government from trying to make amends for past discrimination. Instead it said the federal government must apply the same "strict scrutiny", or "narrowly tailored" standards to which the states have been subject by the Court since 1989. Justice O'Connor was at pains to write: "We wish to dispel the notion that strict scrutiny is strict in theory but fatal in fact."

Reactions to the verdict were predictable. Conservative legal think-tank experts, like Mr Clint Bolick, predicted an end "to the era of racial preferences" now that the Court had declared "enough is enough". Ms Penda Hair of the National Association for the Advancement of Coloured People acknowledged "a setback but not a disaster", and thought fewer than 25 per cent of federal programmes would be affected in practice.

A leader in the New York Times was headlined "a sad day for racial justice". It took additional exception to another Court verdict on Monday invalidating a school desegregation programme in Kansas City. The Wall Street Journal, which also covered both rulings, observed that the bench was "bringing a note of realism into the debate".

Whether the politicians can sustain that tone is debatable. The end of affirmative action is a classic anti-government populist cause, while its continuation, even if in modified form, is a liberal priority. Whatever Mr Clinton finally determines in his pursuit of a middle way is certain to be attacked by both sides.

OBSERVER

Come back Uncle Joe

■ Russia has its problems, but Yevgeny Dzhugashvili has a solution. If the surname sounds familiar, full marks for your memory; Dzhugashvili is the grandson of former communist dictator Josef Stalin, whose real surname was also Dzhugashvili.

The grandson, a 59-year-old retired military man and communist member of the Russian parliament, yesterday launched an effort to rehabilitate his grandad's image and pave the way for another tough guy at the top. "I believe that Russia will produce a strong personality who will establish order in the country," said Dzhugashvili.

Omar Begov, deputy head of a committee in the State Duma lower house, who is also lending his weight to the campaign, said a new Stalin would be just the ticket: "You would not be afraid to walk out on the streets at night."

That *would* be like old times – when it was safer to trudge the streets than stay at home waiting for the knock of the boys in trench coats.

A critic writes

■ The Bill Clinton-Newt Gingrich love-in was designed to return civility to politics. Unfortunately, the word didn't quite reach Washington's literary critics, some of whom obviously feel that a good opening paragraph shouldn't be dropped just because the politicians tone it down.

Take Jonathan Yardley, a Washington Post book reviewer, discharging his duties on a newish novelist: "Given American culture's bottomless capacity for inanity it is entirely possible that the year... will see the publication of a work of fiction more moronic than *1945*, the new novel 'by' the speaker of the House of Representatives, Newt Gingrich and his collaborator... Possible that is, but not bloody likely."

Join the gang

■ Lehman Brothers is proving to be a headhunter's dream client. It seems to have an insatiable appetite for big names to add to the letterheads of its various overseas operations.

Sir Paul Newall, a former lord mayor of London, and Ray Seitz, former US ambassador in Britain, have been hired to improve the connections of Lehman's London team, while S. G. Warburg's Kiyoshi Tsugawa, a former Bank of Tokyo hotshot, has been headhunted to lead its Japanese business. Now Léopold Jeorger, 63, one of the top three at France's Société Générale, has been hired as the next chairman and chief executive of Banque Lehman Brothers in Paris.

Lehman is not the first investment bank to pursue a strategy of recruiting a few high-profile individuals with good local connections. But as other investment banks have found to their cost it can occasionally prove an expensive strategy.

Medallion men

■ The Vietnam war ended 20 years ago, but the Australian government is only now catching up; it's just awarded hacks who covered the conflict the Australian Vietnam Logistics and Support Medal.

At the presentation ceremony the scribblers will toast absent friends – several of the medals are awarded posthumously – as well as their sudden qualification for ex-servicemen's benefits.

Foot shooting

■ Doctors at the University of California at Davis have just published a study suggesting that the average cost of a hospital stay for treatment of non-fatal gunshot wounds is more than $52,000 at one major medical centre in California. They also reckon that this year the national bill – footed largely by private insurance – for treating gunshot wounds will be as much as $4bn.

It's surely reaching the point where some inventive US politician will come up with a bill imposing a healthcare tax on each and every gun sold. It might be called the dumb-dumb levy.

Almost there

■ As if France didn't have enough problems with its over-supplied physical property market – which has suffered slumping prices over several years – along comes a bank determined to elevate the crisis to another dimension.

Crédit Mutuel de Bretagne announced yesterday that it is opening a virtual shopping mall (called Citelis) on the Internet system for computer users. Techno-freaks will, via Citelis, be able shop for all their goods. Simplicity itself.

Apart from one small problem. The directors admitted at yesterday's press conference to launch the idea that they had not yet found any tenants to fill their electronic high street.

That's okay – things are so tight at the moment that Observer only has virtual cash.

Card sharper

■ Torsten Hakansta of Eco Card Sweden AB says his company has developed an environmentally friendly credit card, made of birch and biodegradable glue. It will still burn a hole in your pocket, but leave nice friendly ashes rather than a sticky mess.

The Financial Times

100 years ago

Ugandan affairs

In the committee on the Civil Service estimates Sir Edward Grey made an important statement as to the policy of the Government in reference to Uganda. The interests of the British East Africa Company between Uganda and the coast were to be taken over. This country, which was now a British sphere of influence, would be declared a British protectorate, and a railway would be begun as soon as the necessary arrangements could be made.

50 years ago

Rhodesian gold

The Rhodesian market has so far failed to respond to the announcement in yesterday's paper to the effect that the Southern Rhodesian Minister of Finance announced in Parliament on Tuesday that the Rhodesian Government, in its desire to assist the gold-mining industry, had decided that the benefit of the increase in the price of gold shall accrue to the producer as from the 9th of June. Holders of West African shares would be ill-advised to part from their interests at a time so interesting as the present.

FINANCIAL TIMES
Wednesday June 14 1995

Bosnian Serbs claim deal with west over hostages

By Laura Silber in Belgrade

The Bosnian Serbs claimed yesterday they had received international guarantees of a halt to Nato air strikes in exchange for yesterday's release of 130 United Nations peacekeepers, which left only 14 still in custody.

Western governments strongly denied any deal had been struck with Serbs, and said they had not ruled out any military options in their handling of the conflict.

However, the apparent defusing of the hostage crisis was overshadowed by reports that Bosnia's Moslem-led government could be preparing a substantial offensive to end the Bosnian Serbs' siege of Sarajevo.

A UN official told Reuter news agency that between 20,000 and 30,000 troops had gathered about kilometres north-west of the capital, and added: "There's never been a massing of troops like this in the Bosnian war. They clearly intend to strike towards Sarajevo."

News of the hostages' release came shortly after the circulation by Britain and France of a draft UN Security Council resolution which provides for the despatch of up to 12,500 extra peacekeepers to Bosnia but makes it plain they that would not enter the war as combatants.

The draft resolution calls for a "negotiated demilitarisation" of the UN-designated safe areas in Bosnia.

The Serbs have often said they are ready to co-operate with this proposal, while it is viewed with suspicion by Bosnia's Moslem-led government, because it would call into question their army's right to use force and regain lost territory.

Announcing the release, Mr Radovan Karadzic, Bosnian Serb leader, said 92 of the UN soldiers who had been blockaded in the Sarajevo area were free to resume their work.

Another 28 UN personnel were travelling to Serbia, escorted by Mr Jovica Stanisic, the Serbian secret police chief who negotiated their release in the Bosnian Serb stronghold of Pale.

Serb officials said, however, that the remaining 14 UN soldiers would be detained until the end of the week for "technical reasons".

Mr Aleksa Buha, the Bosnian Serb "foreign minister" claimed *that his leadership had won their* sought-after guarantees that Nato would refrain from further air strikes after the hostage release.

"We understand the international community will keep their promise to President Milosevic that there will not be any more bombing," Mr Buha said. "Those promises were given by people we trust."

Illegal UK arms deals may have been made with Iran

By Robert Peston and John Kampfner in London

An investigation by Britain's Department of Trade and Industry has concluded that illegal shipments of arms to Iran may have been made in the mid to late 1980s by BMARC, a company *whose directors included Mr Jonathan Aitken*, now UK Treasury chief secretary.

Mr Michael Heseltine, UK trade and industry secretary, said yesterday the DTI's controls over exports of arms and sensitive technology in the 1980s had been inadequate.

Officials at the prime minister's office said last night there was no pressure on Mr Aitken to stand down.

Mr Aitken repeated he had no knowledge of the shipments, a position he has adopted over the past few months, after a series of allegations that BMARC may have breached an embargo on arms trade with Iran. The final BMARC shipment under the contracts in question was approved by the DTI in December 1988, three months after Mr Aitken became a director.

Mr Heseltine, however, conspicuously failed to make any statement in support of Mr Aitken, saying only that the chief secretary had "made his position clear".

Mr Jack Cunningham, the opposition Labour party's trade and industry spokesman, said: "The house and the country have learnt of another scandal, another plain piece of unvarnished government duplicity."

Because of concerns about inadequate scrutiny by the DTI of BMARC's applications for export licences, Mr Heseltine commissioned a sample survey of all military list licence applications during 1986 to 1989. This shows that 74 per cent "did not include the full supporting documentation".

Mr Heseltine said this was explained by a doubling in the number of applications between 1984 and the end of 1985, peaking at 98,842 in 1987. This overstretched the staff processing the applications, he said.

The DTI has sent details of BMARC's possible breach of the arms embargo to the department of Customs and Excise, which is the prosecuting authority in such cases. Customs said it was taking the matter very seriously. "It is too early to say if there will be prosecutions," a Customs official said.

The DTI launched its investigation after a series of parliamentary questions by Labour MPs.

BMARC had told the DTI the destination of the naval guns was Singapore. However, British intelligence reports suggested the ultimate destination may have been Iran, in breach of an embargo.

Spain to call for majority voting on EU foreign policy

By Lionel Barber in Luxembourg

Spain is expected today to join German-led calls for more majority voting in EU foreign policy as part of a radical overhaul of the Maastricht treaty.

The proposals are likely to draw opposition from Britain and France, which are keen to preserve the national veto and maintain loose inter-governmental co-operation in foreign policy and on justice affairs.

The Spanish initiative follows publication in Berlin yesterday of a new document by the ruling Christian Democratic Union-Christian Social Union which calls for an end to the present consensus system in foreign policy and more majority voting.

But the CDU excluded any mention of a fast-track, or hard-core group of states which would set the pace of European political union and monetary union. These policies, advocated last September by Mr Karl Lamers, the CDU's foreign policy spokesman, provoked sharp criticism from Britain.

Mr Carlos Westendorp, Spanish state secretary for European affairs, will outline ideas to streamline EU decision-making at a meeting in Luxembourg today of the Reflection Group preparing next year's inter-governmental conference.

Mr John Major, UK prime minister, yesterday rejected demands from rightwingers in his Conservative party for an immediate veto on UK participation in a European single currency, triggering fresh speculation about a challenge to his leadership in the autumn. During a confrontation with Eurosceptics, Mr Major ruled out any change in delaying policy on the single currency.

Mr Westendorp, chairman of the group, intends to challenge the three-pillar system in the Maastricht treaty, the elaborate compromise between federalist-minded states such as the Benelux countries and Germany, and the sovereignty-conscious British and French.

In Maastricht, pillar one covers subjects liable to qualified majority voting such as the internal market; pillars two and three cover foreign policy and interior affairs respectively.

Madrid favours a new division which separates super-sensitive areas such as defence requiring veto powers, and non-sensitive areas which merit more streamlined decision-making. A drawback is that one country's sensitive area – Spanish fishing rights off Morocco or Greek opposition to financial aid to Turkey – might be non-sensitive to other EU partners.

Britain has already pledged to resist all moves to dilute the national veto or to end the pillar system. It is seeking to recruit the new Gaullist government in France as an ally to block German-led efforts to introduce more majority voting.

As in the Maastricht negotiations, France is the crucial "swing state", a senior EU diplomat said. He pointed out that President Jacques Chirac had made a big impression at last Friday's state dinner for the heads of EU governments.

Mr Chirac said the European Commission must be kept under control, that national parliaments should be given a bigger role rather than the European Parliament, and the European Council composed of the heads of government was the real seat of legitimacy. The nation state in Europe was not dead, he said.

CDU seeks majority voting, Page 2; Editorial Comment, Page 15

US bonds surge on weak retail sales data

Continued from Page 1

cent last month, less than most economists expected. The overall index was up 0.3 per cent and by 3.2 per cent in the year to May.

The failure of sales to rebound robustly is significant as it raises the risk that economic growth will not revive later this year.

The Fed and most private sector economists believe the economy is experiencing an "inventory correction" involving temporary cuts in production and jobs as companies try to reduce excessive levels of stocks of unsold goods. On this view, the economy should rebound once stocks are cut to desired levels.

The Fed, however, is known to be watching consumer demand closely. If spending fails to revive this summer, the risk of the inventory correction turning into a recession proper would rise. Prolonged weakness of consumer spending could spark a further round of production and employment cuts.

Mr Wayne Angell, a former Fed governor and chief economist at Bear Stearns, the Wall Street securities house, noted that sales had been "lacklustre at best for six months".

THE LEX COLUMN

SplITTing up

ITT's decision to split itself into three may not spell the extinction of the conglomerate but it does show how far the species has fallen out of fashion with investors. ITT for long epitomised the idea of the diversified conglomerate. The prospect of its break-up has led to a sharp outperformance of its shares since the start of the year.

The most obvious advantages of a break-up are financial. As a conglomerate, the value of ITT's fast-growing leisure business was submerged by the more staid manufacturing and insurance businesses. As an independent company, the leisure business should earn a higher market rating. All three businesses could also command takeover premiums. As a single entity, ITT was probably too big to be acquired: its three parts, though still large, will be more vulnerable.

In the UK, the benefits of providing investors a "pure play" in a highly-valued subsidiary have been amply demonstrated by cases such as Racal's demerger of its Vodafone mobile communications business and Imperial Chemical Industries' demerger of Zeneca. Similarly, speculation that a demerger of the EMI music business is on the cards is helping drive Thorn EMI's share price upwards.

The other main advantage of unbundling is that greater focus can lead to better performance of the underlying businesses. Instead of spreading its capital resources and management attention over a range of disconnected businesses, a focused company can concentrate on one line of business. In ITT's case, this argument cannot be pressed too far, as two of the newly-created spin-offs, in manufacturing and leisure, will still be fairly diversified. Only the insurance company will have a sharp focus. Nevertheless, this is an improvement.

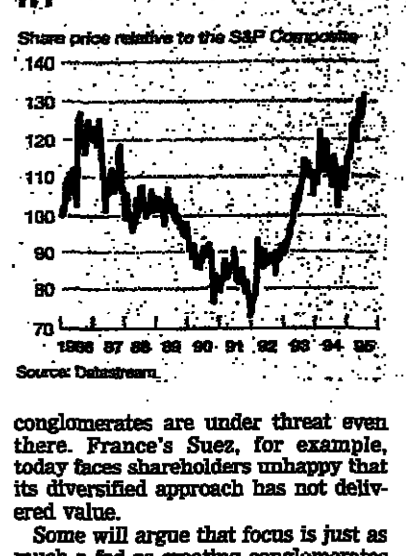
The gospel of focus is rapidly displacing the gospel of diversification. Kodak has refocused on its core imaging business; Volvo is retreating from food, drink and drugs to devote its resources to making cars and trucks. Even Daimler-Benz is making tentative steps to streamline its operations.

The main reason for conglomerates' fall from favour is the increasing efficiency of capital markets. It is harder now to argue that a conglomerate is needed to spread investment risk. Investors are capable of spreading risk themselves, by building diversified portfolios, if that is what they want.

In parts of continental Europe the benefits of focus are still disputed. But conglomerates are under threat even there. France's Suez, for example, today faces shareholders unhappy that its diversified approach has not delivered value.

Some will argue that focus is just as much a fad as creating conglomerates was. Certainly, unbundling is not a panacea. There must be some role in the corporate jungle for predators, like the UK's Hanson, to buy up underperforming companies. Conglomerates also have a role in managing boring businesses, which as independent entities might not command investor attention. But it is hard to see the pendulum swinging back.

FT-SE Eurotrack 200: 1446.0 (+1.9)



Source: Datastream

First Data Corp

Occasionally, big can be better. First Data Corp's merger with First Financial Management clearly offers cost savings, but, for once, these are not the primary reason for the deal. The fusion, creating a payment and credit card processing company with a market capitalisation of more than \$13bn (£8.2bn), provides the possibility of economies of scope as well as scale.

The substantial economies of scale involved in high volume transaction processing should permit the merged group to reduce unit costs and so win outsourced business from low volume credit card issuers. In addition, it should be able to cross-sell services and even create new ones, allowing card issuers to target consumers based on their past purchasing history.

True, the move could run foul of competition authorities, concerned by First Data's already strong position. But the groups argue they need greater resources to compete with large banks which are increasingly prepared to process other companies' transactions. Still more worrying for them are non-bank competitors – giants such as General Motors, General Electric and AT&T – which have been attracted by the market's heady growth.

The market's expansion has been driven by increases in the number of cards as well as the number of transactions per card. The potential for further growth is huge, given that 85 per cent of transactions are still in cash. Further momentum could eventually be provided if home shopping and electronic alternatives to cash prove successful. In the short term, there should be adequate growth to accommodate the new company and its competitors.

Provisions

Northern Foods and Unigate have become the latest in a line of food manufacturers to announce large restructuring provisions. Unilever, Cadbury Schweppes, Grand Metropolitan and United Biscuits are among the many companies in the sector to have made such provisions. Some of these follow acquisitions, others result from the rationalisation of existing businesses.

The provisions reflect intense competitive pressures which are forcing companies to seek out acquisitions and cut costs to stimulate earnings growth. But provisioning also gives a cosmetic fillip to reported earnings, admittedly not when the charge is booked, but thereafter when the restructuring is implemented. Hence, Unigate's £55.1m charge and Northern's £91.4m provision will be taken in 1994-95, while the redundancies and dairy closures will take place over the next two to three years. Analysts will be able to make adjustments for the provisions when examining future figures, but the numbers as reported will present a misleadingly rosy picture of business performance in the years ahead.

Accounting rules on provisions have been tightened up in recent years and there is no suggestion that Unigate, Northern or other food companies are in breach of regulations. But they allow companies to shelter their profits from the pain of restructuring which – as Unilever for one acknowledges – has become a normal part of doing business. Rationalisation costs should be treated as such and deducted from earnings in the year in which they are incurred.

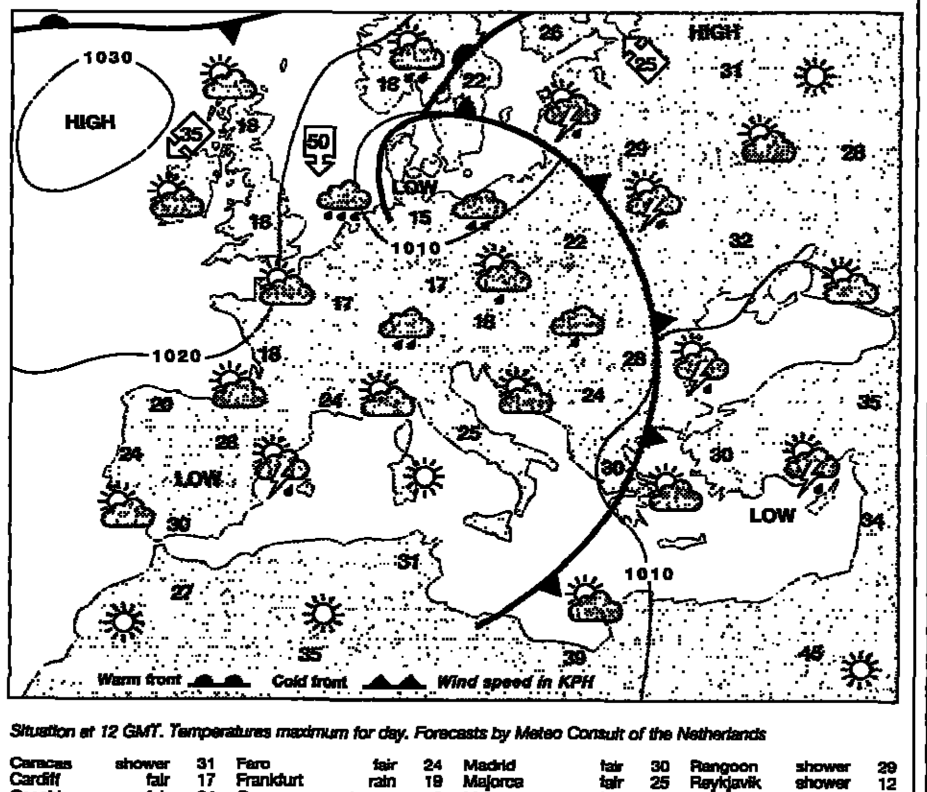
FT WEATHER GUIDE

Europe today

An active low pressure system over Denmark will cause rain in northern parts of the Netherlands and Germany with strong winds along the coast. Temperatures will struggle to reach 10C-14C. The British Isles, France and Spain will have sunny periods, with showers in north-eastern parts of France and Spain. Heavy rain and thunder storms, which could linger through midnight, will develop in a narrow area stretching from the eastern Balkans across eastern Poland and into Finland. East of this stormy area, it will be warm with tropical temperatures over much of European Russia. Italy and southern Greece will have a lot of sun and maximum temperatures between 25C-30C.

Five-day forecast

Western Europe will remain cool and countries bordering the North Sea will have a lot of rain. Thunder storms will develop in Spain and Italy by the weekend. Greece will continue to be very warm with occasional thunder storms inland. Northern Europe will remain wet.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius																
			Beijing	fair	30	Caracas	shower	31	Faro	fair	24	Madrid	fair	30	Rangoon	shower	29
			Belfast	fair	19	Cardiff	fair	17	Frankfurt	rain	19	Majorca	fair	25	Reykjavik	shower	12
Abu Dhabi	sun	39	Belgrade	cloudy	24	Casablanca	fair	24	Geneva	shower	18	Malta	fair	27	Rio	cloudy	28
Accra	shower	28	Berlin	shower	19	Chicago	fair	28	Gibraltar	fair	26	Manchester	fair	17	Rome	fair	25
Algiers	sun	26	Bermuda	cloudy	28	Cologne	shower	18	Glasgow	fair	20	Manila	cloudy	35	S. Frsco	cloudy	19
Amsterdam	shower	16	Bogota	shower	21	Dakar	fair	28	Hamburg	rain	16	Melbourne	cloudy	14	Seoul	fair	27
Athens	fair	29	Bombay	fair	34	Dallas	sun	32	Helsinki	shower	27	Mexico City	fair	24	Singapore	shower	33
Atlanta	sun	28	Brussels	shower	17	Delhi	sun	44	Hong Kong	drzzl	29	Miami	fair	31	Stockholm	rain	21
B. Aires	fair	10	Budapest	cloudy	23	Dubai	sun	39	Honolulu	fair	31	Milan	shower	18	Strasbourg	shower	18
B.ham	fair	18	C.hagen	rain	19	Dublin	fair	17	Istanbul	shower	28	Montreal	sun	21	Sydney	fair	17
Bangkok	shower	35	Cairo	sun	40	Dubrovnik	fair	25	Jakarta	cloudy	32	Moscow	shower	27	Tangier	fair	25
Barcelona	fair	22	Cape Town	shower	13	Edinburgh	fair	18	Jersey	fair	15	Munich	rain	17	Tel Aviv	sun	37
									Karachi	sun	35	Nairobi	fair	27	Tokyo	shower	24
									Kuwait	sun	42	Naples	fair	24	Toronto	fair	25
									L. Angeles	fair	24	Nassau	shower	31	Vancouver	shower	18
									Las Palmas	sun	26	New York	cloudy	27	Venice	shower	23
									Lima	fair	22	Nice	fair	22	Vienna	fair	21
									Lisbon	fair	23	Nicosia	fair	33	Warsaw	fair	23
									London	fair	19	Oslo	shower	22	Washington	fair	26
									Lux.bourg	shower	16	Paris	fair	18	Wellington	cloudy	9
									Lyon	fair	20	Perth	fair	18	Winnipeg	fair	29
									Madeira	shower	23	Prague	shower	18	Zurich	rain	15

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday June 14 1995

IN BRIEF

Mexico rescues Banca Serfin

The Mexican government is to take over the problem loans of Banca Serfin, Mexico's third largest bank, in return for a commitment from existing shareholders to recapitalise the bank. The finance ministry said Grupo Financiero Serfin, the financial group which owns Banca Serfin, would inject 2.17bn pesos ($350m) of fresh capital into its troubled bank in return for being allowed to sell 4.34bn pesos of discounted non-performing loans to the government. Page 19

Moulinex cuts its losses

Moulinex, the French household appliances group, recorded losses of FFr213m ($43.2m) for the year to March 31, a substantial reduction on the losses of FFr564m in the previous 12 months. The group said it was on target to return to profitability in the next two years. Page 18

Business class lifts Finnair

Increased business class ticket sales helped lift annual profits at Finnair more than three-fold. Pre-tax profits jumped to FM419m from FM120m as the number of passengers rose more than 10 per cent to 5.43m. Page 18

Saint Gobain forecasts strong gains

Saint Gobain, the French glass and building materials group, forecast a "very significant" increase in first-half net profits. Last year, the group made first-half profits of FFr1.26bn ($255m). Page 18

Renault to ration sales

Renault, the French cars and trucks group, will ration sales of some models in Spain and Italy after currency upheavals in Europe. It fears cut-price parallel imports back to France. Page 18

US oil refiner slashes dividend

Sun, the largest independent refining and marketing company in the US, has slashed its dividend and announced a cost-cutting programme following the prolonged squeeze on US oil refining margins. Page 20

NEC plans semiconductor expansion

NEC, the Japanese computer and electronics company, is considering building a semiconductor plant in northern Japan at a cost of Y50bn-Y60bn (£373m-£448m). Page 21

Setback at Northern Foods

Northern Foods of the UK, reported its first profits reduction in 39 years as a public company as cost pressures and changing consumer patterns revealed problems across its businesses. Page 22

UK insurer considers demerger

C. E. Heath, the UK insurance broker, may consider floating or demerging its successful computer services division. Page 22

Post Office breaks profits record

The British Post Office declared record pre-tax profits of £473m ($741m) for 1994-95, 54 per cent ahead of last year's record £306m. It is the 19th year in succession in which the state-owned group has operated without subsidy. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	805	+	8
Springer Axel	745	+	10
Zanders Feinpap	205	+	7
Falls			
Altana	752	–	22
Goldschmidt	770	–	20
Rheinelektra	1110	–	10
NEW YORK ($)			
Rises			
Boeing	64⅝	+	2⅝
Cephalon	7⅞	+	1⅝
Delta Air	73	+	3¼
ITT	114½	+	5¼
Falls			
First Data	55½	–	1⅝
Sun	28⅞	–	2⅝
LONDON (Pence)			
Rises			
Acal	349	+	10
Cable & Wire	439	+	27
Etam	167	+	13
Falls			
Asprey	69	–	6
Hadleigh	158	–	22
Heath (CE)	225	–	13
TORONTO (C$)			
Rises			
Biochem Pharm	28⅝	+	1⅝
Cnc Helicptr B	5½	+	1
Fairfax Fin	77	+	1
Seagram	41¼	+	1⅛
Falls			
Potash	65⅝	–	1⅛
Utd Can Shr	16⅝	–	⅝
PARIS (FFr)			
Rises			
Alcatel Alsthom	462.7	+	13.2
Docks de France	780	+	15
St Gobain	618	+	20
Falls			
Dollfus Mieg	282	–	10
Ecco	719	–	31
Immobanque	825	–	25
TOKYO (Yen)			
Rises			
Showa Line	103	+	11
Falls			
Hitachi Zosen	329	–	25
Matsushita Elec	1200	–	60
Mitsui Eng Ship	182	–	13
NEC	859	–	11
Sony	3800	–	220
HONG KONG (HK$)			
Rises			
Cheung Kong	37.1	+	0.8
Hutchison	36.5	+	0.4
Varitronix	13	+	0.3
Falls			
Cthc Pac	19.25	–	0.3
Hang Seng Bk	57	–	0.5
Lane Crawford	10.4	–	0.7
BANGKOK (Baht)			
Rises			
Compass East	126	+	11
KR Precision	138	+	11
Nawakij	99	+	9
Falls			
Mutual Fund	680	–	32
Post Publish	134	–	10
Thai Glass	97	–	9

New York & Toronto prices at 12.30.

UAP chief launches attack on Suez

By Andrew Jack in Paris

Mr Jacques Friedmann, the chairman of Union des Assurances de Paris, one of France's largest insurance groups, yesterday attacked the management of Compagnie de Suez, the flagship French industrial and financial holding company.

He strongly criticised discussions being held between Suez and Pinault Printemps Redoute, the retail group, which could lead to a possible exchange of shares or takeover.

Mr Friedmann said the way in which Mr Gerard Worms, Suez's chairman, had approached Mr François Pinault, the head of Pinault, was "shocking", and questioned the logic of Suez developing links with the retail group, according to a newspaper report.

His comments come following a week of growing criticism and speculation about the future of Suez before the group's annual general meeting this afternoon.

Suez has been the target of intensifying attacks after a long period of relatively weak share performance and questions over its long-term strategy and profitability.

It emerged last week that Suez had been in talks with UAP and Banque Nationale de Paris, another large shareholder in the group, to create closer financial links.

Mr Friedmann rejected suggestions that there was any formal discussion of a merger between the three groups, but confirmed that there had been discussions about greater collaboration in response to concerns about the relatively small size of French financial groups compared with their international competitors.

He said that he learnt in late April that Mr Worms had been holding alternative discussions with Mr Pinault for several months about the idea of a possible link-up, but the board of Suez had not been informed.

Mr Friedmann argued that a connection between Suez and Pinault would not be in the interests of Suez's shareholders and appeared more to be a financial operation than one that fitted with the group's strategy. He said it would probably not help improve Suez's profitability.

UAP and BNP are believed to be talking about ways in which they could collaborate more closely with Suez, although the publicity given to their discussions and news of the alternative discussions with Pinault has been a setback. However, other shareholders in the group, including Crédit Agricole, are opposed to any such development which they see as a competitive threat.

Other shareholders did not comment on reports they might try to block two resolutions at the AGM which would give the group the power to increase its share capital in a way which could be used to develop links with Pinault.

MCA hitches DreamWorks to its wagon with wide-ranging distribution tie-up

Bronfman clinches deal with dream team

By Alice Rawsthorn

Edgar's screen test: (from left) Edgar Bronfman and the founders of DreamWorks, David Geffen, Jeffrey Katzenberg and Steven Spielberg

Mr Edgar Bronfman Jr yesterday scored his first coup as the new owner of the MCA, the entertainment group, by striking a deal with the founders of DreamWorks SKG, the new entertainment company, to distribute most of its films, videos and music.

The deal, which follows the recent takeover of MCA by Seagram, the Canadian drinks group chaired by Mr Bronfman, cements its close links with two of DreamWorks' founders, Mr Steven Spielberg, the Oscar-winning film director, and Mr David Geffen, the billionaire music mogul.

Mr Bronfman viewed clinching an agreement with DreamWorks as a top priority for MCA. Yesterday's announcement should help to compensate for his embarrassment last week when Mr Michael Ovitz, the Hollywood agent, withdrew at the eleventh hour from talks over MCA's chairmanship.

The agreement means that DreamWorks will use MCA's distribution network for many of its products including feature films, animated films, recorded music and video cassettes. MCA will also have the rights to use DreamWorks' characters and concepts for its theme parks.

Mr Bronfman described the alliance as a "tremendously exciting opportunity" for MCA to liaise with "the most significant new entertainment company in decades".

DreamWorks, which was founded by Mr Jeffrey Katzenberg, a former Disney executive as well as Mr Spielberg and Mr Geffen, has concluded a number of similar agreements since its formation last autumn. These include alliances with the Microsoft software group and Silicon Graphics, the graphics computer company.

The MCA deal is one of its most important alliances as it involves a wide range of DreamWorks' activities and distribution is one of the most profitable areas of the entertainment industry.

The agreement comes as a great relief to MCA which otherwise risked losing two of its most important collaborators. Mr Spielberg has directed a string of hits for Universal, its film subsidiary, including *Jurassic Park* and *ET*.

Mr Geffen played a pivotal part in the development of MCA's music business until his contract expired this spring. He realised $600m by selling his Geffen Records label to MCA. Geffen has since become one of MCA's successful subsidiaries with acts such as Nirvana and Guns n' Roses.

Mr Geffen has ambitious plans to develop DreamWorks music interests and is in talks with Sony over the signing of George Michael, one of the most successful singers of the 1980s.

Meanwhile Mr Bronfman is still searching for a new head of MCA.

Costs of job losses to drag Cordiant into red

By Diane Summers, Marketing Correspondent

Cordiant, the troubled advertising group formerly called Saatchi & Saatchi, will dip back into loss in the first half of this year because of redundancy payments to 470 staff and a goodwill write-off, the company said yesterday.

The full extent of job losses in the wake of Mr Maurice Saatchi's departure from the group and the loss of several important clients, was disclosed at the first annual meeting since the company changed its name.

Exceptional severance costs of about £10m ($15.7m) will come in addition to a non-cash goodwill write-off of £14m relating to the sale in April of a US advertising subsidiary, Campbell Mithun Esty.

Analysts' forecasts for the full year had been £19m-£27m but it is expected that once severance payments are factored in, forecasts will cluster around £15m. Profits in 1994 were £32.4m. The shares closed 3p higher at 104p.

Mr Robert Jolliffe, media analyst with Hoare Govett, said he was upgrading his 1995 profit forecast from £22m to £25.5m before exceptionals.

He said: "We've now got proper solid forecasts for the group. For the first time in six months we know there are probably no major new accounts going, we know, broadly speaking what the earnings are going to be, and it's particularly encouraging to see senior advertising executives elevated to board level."

The number of redundancies announced yesterday was slightly higher than some analysts had been expecting. The 470 redundancies out of a total of about 11,000 staff, are mainly because of the loss of accounts from Mars, the confectionery and pet food group, British Airways, and Dixons, the electrical retailers. About 410 employees have already left.

Mr Scott said revenue losses amounted on an annualised basis to 6 per cent of revenue but the group had also won new business amounting to 3 per cent of revenue so far this year.

Cordiant has been using headhunters to find a new chairman to replace Mr Saatchi who was ousted at the end of last year. Yesterday, Mr Scott said the new recruit could, instead, fill the position of chief executive, while he stepped into the chairman's role permanently. He said the search was "progressing well".

US paper group calls off pursuit of Holvis

By Ian Rodger in Zurich and Tim Burt in London

International Paper, the world's largest paper company, yesterday abandoned its pursuit of Holvis, the Swiss non-woven fabrics and paper distribution group.

This cleared the way for Britain's BBA Group to complete a SFr466m ($405m) recommended offer and marked the end of Switzerland's first takeover battle. "Naturally, we are pleased by International Paper's decision. It means that BBA's offer can now proceed quickly," Holvis said.

IP's withdrawal came a day after a Swiss court refused to grant injunctions that could have delayed or overturned a controversial lock-out agreement between BBA and Holvis. The lock-out guaranteed that Holvis would sell its Fiberweb nonwovens subsidiary to BBA for SFr250m, even if a higher offer emerged for the group.

Without the injunctions, IP said it could see no way to continue to pursue Holvis. "The Holvis board of directors has succeeded in preventing International Paper from offering shareholders a higher price for their shares," said Mr Milan Turk, IP senior vice-president.

IP said it had not decided whether to tender its 25 per cent Holvis stake, acquired from Mercury Asset Management of the UK last month at SFr435 a share. If it tendered the stake, it would make a SFr14m profit. Nor had IP decided on withdrawing its demand to convene an extraordinary Holvis shareholders' meeting to replace the current board.

Officials close to the company said IP was angered by the failure of its bid and hinted that it would have trumped BBA had it known that a SFr500-a-share bid was in the offing. BBA said it was drawing up plans for the integration of Fiberweb and Mühlebach, Holvis's two main operating divisions.

Mr Roberto Quarta, BBA chief executive, said his group expected to improve margins by focusing on cost controls and more competitive pricing.

He played down expectations that BBA would sell Mühlebach to Arjo Wiggins Appleton, the Anglo-French paper group, which had agreed to buy the business from IP – had its takeover offer been successful.

In London, BBA's shares closed up 7p at 244p, a high for the year.

Barry Riley

Persuading the British to hedge their bets

That currency risks should be more or less ignored by UK pension funds but the object of intense concern and management effort for their US counterparts is one of the curiosities of international investment.

The divergence between the two countries is seen as a challenge by the British end of the New York-based investment bank Goldman Sachs, which is trying to convince UK funds to look again at their currency exposures. It is going to be an uphill task to persuade UK funds of the attractions of elaborate hedging strategies or currency overlay managers. Just possibly, however, the minimum funding requirement (MFR) being imposed on UK pension schemes will raise risk consciousness.

UK funds have built their overseas equity exposures up to around 25 per cent of their portfolios to provide high returns coupled with geographical diversification. But currency risk is not managed separately, although for equity markets such as those of Japan and Germany the currency has provided 30 to 40 per cent of the total return over the past 20 years or so.

Sterling has been regarded as a chronically weak currency, and hedging might reduce returns, it is feared. As for the possibility of more active currency management, the foreign exchanges are thought to be generally efficient, at least when exchange rates float freely; picking currencies is therefore thought unlikely to be profitable in the long run.

Not so, claims Goldman. It shows that there has been little difference historically between hedged and unhedged returns to sterling-based investors. Hedging benefits derived from interest rate differentials have offset currency gains from sterling depreciation, taking one year with another. Moreover, investment in unhedged overseas equities has *raised* overall equity portfolio volatility, not reduced it. The underlying equity risk has been more than justified by handsome returns but exposure to currency risk has been unrewarded, so why accept it?

Goldman also promotes currency overlay strategies but is less than convincing about their merits. Active currency managers, it says, can pursue return-maximising strategies successfully because other market participants, such as central banks or companies engaged in cross-border trade, have different objectives. But speculative trading is vast compared with trade or investment activity; and Goldman admits that benchmarks vary so much that it is hard to measure the success of currency overlays.

> Benchmarks vary so much that it is hard to measure the success of currency overlays

Definitions of risk are crucial to these arguments. Volatility is dangerous for US funds, which are subject to inflexible market-based valuations; in any case, the dollar tends to be more volatile than sterling. UK schemes, in contrast, are cushioned by long-term actuarial valuation techniques, which also form the basis of the relevant accounting standard. In normal conditions price volatility is therefore not a problem for UK funds.

In fact risk is more commonly measured against the median fund return than against the market; thus, currency hedging by one fund in isolation could reduce the absolute volatility of its returns but *increase* the volatility against the unhedged peer group. Fund managers see that as akin to suicide. Suppose they had begun to hedge before the UK's Black Wednesday exit from the European exchange rate mechanism? Nightmares are made of this.

Now for the MFR. For the first time a market-based valuation is being imposed upon UK pension schemes The crucial point is that the minimum risk benchmark implied by the MFR is expressed purely in terms of domestic securities (a variable mixture of equities and gilt-edged).

For a typical fund with 30 per cent of its portfolio in unhedged overseas equities and bonds the currency contribution to the overall funding risk could be substantial – some 27 per cent, according to Goldman. Funds uncomfortably close to the 100 per cent funding level are under pressure to reduce their risks by selling overseas assets and switching into gilts.

Alternatively, worried about the consequences of this for their future returns, they could hold on to the high-return overseas assets and hedge the currencies instead. But they should avoid doing it just before the next Black Wednesday.

Renault moves to block cut-price car re-imports

By Haig Simonian,
Motor Industry Correspondent

Currency upheavals in Europe have forced Renault, the French cars and trucks group, to ration sales of some models in Spain and Italy in a bid to prevent cut-price cars being imported back into France.

Mr Louis Schweitzer, Renault's chairman, said sharp devaluations of the peseta and lira meant Renault cars were now up to 30 per cent cheaper in Spain and Italy than in France.

To prevent a flood of parallel imports, which would infuriate domestic dealers, Renault has stopped sales to Spanish car hire groups, some of which had over-ordered to sell surplus stock back into France, he said.

Sales to Italy were also being reduced and individual outlets monitored to check for unexplained surges in demand which might indicate cars were being bought for on-sale into France.

Mr Schweitzer, in London to meet investors, said Renault would consider listing its shares in New York if a further tranche of stock were privatised by the French state, which owns about 53 per cent of the company.

He said a US listing had advantages, but involved substantial costs and the need to produce financial statements to US accounting practice, which could cause confusion.

Mr Schweitzer was reticent on the timing of a further privatisation and Renault's financial performance this year.

His reluctance to be drawn on privatisation disappointed investors, who had been expecting some sign from Mr Schweitzer of the state's plans.

"The omens for privatisation are pretty good right now. But getting the story across to investors is proving harder," said Mr Christopher Will, automotive and transportation analyst at Lehman Brothers in London. Shares in Renault, sold to private investors for FFr165 last year, rose FFr0.40 to FFr157.80 yesterday.

St Gobain upbeat on profits

By John Ridding
in Paris

Saint Gobain, the French glass and building materials group, would achieve a "very significant" increase in first-half net profits, Mr Jean-Louis Beffa, chairman, forecast yesterday. In the comparable period in 1994 the group made profits of FFr1.26bn ($255m).

Addressing the annual shareholders' meeting, Mr Beffa said the first quarter had continued the progress achieved in 1994 when net profits almost trebled to FFr3.62bn. He said April and May had seen good progress in Europe.

The Saint Gobain chairman said earnings would also be supported by a recovery in prices in many of the company's principal markets since the beginning of the year. "There has been a reversal of the trend," he said.

Mr Beffa declined to give a specific forecast or to predict the full-year performance. "It is too early to pronounce on the size of the increase, but I am optimistic for the whole of 1995," he said.

Investors responded enthusiastically to the chairman's comments. Shares in the company, one of France's principal industrial groups, rose almost 4 per cent to FFr620.

Mr Beffa played down the impact of a judicial investigation into the group, one of several leading French companies affected by probes into alleged corruption.

The chairman was placed under investigation last year in a case involving allegations of illicit financing for a water pipe contract in Nantes. But he told shareholders he was "confident in the justice of my country".

Mr Beffa said he had been questioned twice by the magistrate heading the investigation, but that there were no new elements in the case.

Moulinex cuts losses to FFr213m

By Andrew Jack

Moulinex, the French household appliances group, recorded losses of FFr213m ($43.2m) for the year to March 31, a substantial reduction on the losses of FFr564m in the previous 12 months.

The group said its performance during the second half of the year indicated it was on target to to return to profitability in the next two years. It reported operating profit of FFr179m and profit on ordinary activities of FFr55m in the second half of the year.

Turnover dropped 4.5 per cent – or 1.4 per cent on a comparable basis – to FFr7.7bn, but operating profits rose sharply to FFr117m from FFr41m last time.

The group said its performance had been affected by stagnating consumption in western Europe, as well as sharp fluctuations in exchange rates. It also took an exceptional restructuring charge linked to the reorganisation of its activities in Europe, in particular in the UK and Germany. During the last financial year, it also underwent substantial reorganisation of its shareholder-management structure and a change to its marketing and advertising strategy.

The group did not launch any new products during the period, but plans to introduce a new range of microwave ovens in the current year.

Net debt was cut from FFr2.5bn to FFr1.5bn in the last 12 months, while net interest expenses fell to FFr243m from FFr320m.

French bank launches service on the Internet

By Andrew Jack in Paris

Crédit Mutuel de Bretagne, a small French bank, yesterday claimed to have launched the first electronic bank on the Internet system, designed to connect it to computer users around the world.

The service, available from Monday, is part of a "virtual" shopping mall called Citélis which can be called up on home computers and used to buy a wide range of retail services.

The development is the latest in a series of initiatives recently in the field of electronic banking through links to the Internet system, which is estimated to have between 30m and 40m users around the world.

Crédit Mutuel de Bretagne, part of a network of regional French banking mutuals, claims to have long been at the forefront of banking technology. It started a service on France's electronic phone information system Minitel in 1982, and has since introduced telephone and fax services for its 1.2m clients.

It is also working, with France Télécom and other partners, on the development of the country's information superhighway projects.

The new system will allow customers to check their account balance, make payments to the large utilities groups and other registered suppliers, buy and sell shares on the stock market and use other basic banking services.

The system will be available to existing personal and business customers.

Mr Claude Fouyet, deputy managing director of Crédit Mutuel de Bretagne, said the marginal costs of developing the new banking and shopping centre system were a little more than FFr2m ($400,000).

Last month, Barclays Bank in the UK became the first financial services group outside the US to offer travel insurance and other information over the Internet. In the last few weeks, Paribas, the French banking group, has also begun to circulate general information using the system.

Finnair surges on business class sales

By Hugh Carnegy
in Stockholm

A resurgence of business class ticket sales helped lift profits at Finnair more than three-fold in the year to the end of March.

Pre-tax profits jumped to FM419m ($97.4m) from FM120m in the previous financial year, as the overall number of passengers rose by more than 10 per cent to 5.43m.

The improvement was driven by a marked increase in scheduled traffic. Charter traffic fell sharply, however, with the numbers of charter passengers dropping by more than 26 per cent to 671,000.

Scheduled traffic increased by 18.8 per cent to 4.76m passengers, with high-yielding business class ticket sales rising by 33 per cent.

Mr Petri Pentti, chief financial officer, said the strong rebound in the Finnish economy over the past year was responsible for the increase, with the booming Finnish export sector accounting for the expansion in business class travel. Most of the rise in passenger numbers was on international flights.

Group sales rose to FM6.67bn from FM5.96bn. Operating profit reached FM522m, against FM189m the previous year, rising to 7.8 per cent of sales, compared with 3.2 per cent last time. The annual dividend was set at FM0.50 a share, up from FM0.30 last year.

The results reinforced Finnair's strengthened financial position. This year the airline raised FM405m in new capital through a share issue, reducing the state's share of ownership to slightly more than 60 per cent. The equity-to-assets ratio at the end of March was 33.1 per cent.

Mr Pentti said the airline hoped to achieve a further double-digit growth in passenger numbers this financial year, with profitability being sustained at least at last year's levels.

Finnair has carefully avoided alliances with other airlines – such as Nordic neighbour and close rival Scandinavian Airlines System (SAS) – that might threaten its independence.

But a valuable co-operation deal with Germany's Lufthansa was thrown into doubt by a recent strategic partnership between Lufthansa and SAS. The partnership is likely to cause the unravelling of Finnair and Lufthansa's co-operation at Stockholm airport which runs services to Germany rivalling SAS.

However, Mr Pentti said this would have little effect on Finnair's overall traffic volumes. He said the co-operation with Lufthansa in other areas – mainly between Finland and Germany – would continue.

Kemira fails to meet expectations

By Christopher Brown-Humes
in Stockholm

Kemira, the Finnish chemicals group which was partially privatised last year, has announced profits of FM293m ($68m) for the first four months of 1995, up 36 per cent from the FM215m of the same period of 1994.

Improved market conditions led to higher profits in the fertiliser, chemicals and titanium dioxide divisions. However, the paint and fibres units were hit by rising raw material costs.

In addition, financial expenses were higher than had been expected because of a FM75m loss on foreign exchange and higher interest rates.

The result was below expectations and the company's shares fell FM2 to FM37, below the FM38 price at which 28 per cent of the group was sold to domestic and international investors last year.

Sales advanced by 6 per cent to FM4.44bn from FM4.19bn, in spite of the stronger Finnish markka, and operating income was 36 per cent higher at FM550m.

Kemira Agro, the fertiliser unit and Kemira's biggest division, increased operating profits to FM327m from FM180m as sales grew to FM2.13bn from FM2.02bn. The performance was helped by a 10 per cent rise in plant nutrient prices.

The pigments unit lifted profits to FM92m from FM49m due to increased prices and volumes for titanium dioxide. Improving demand for pulp and paper chemicals and industrial chemicals pushed up profits in the chemicals unit to FM140m from FM113m.

Net financial expenses rose to FM257m from FM189m, in spite of a FM2.5bn drop in net debt. The group says full-year figures will be better in most areas and it expects a further fall in net debt.

Tarkett joins wave of German issues

By Andrew Fisher
in Frankfurt

The succession of companies making their debut on the German stock market continued yesterday with the announcement that Tarkett, a maker of flooring surfaces, plans to issue shares this month.

The stock market expects the issue to raise up to DM250m ($178m). Deutsche Bank, which is leading the issue with Goldman Sachs of the US, will announce the terms next Tuesday.

Tarkett, with operations in Sweden and the US as well as Germany, was the subject of a management buy-out last year in which Goldman played a prominent role. It has annual sales of about DM1.3bn and last year raised net income by 142 per cent to DM34m.

Deutsche Bank also gave final details of the initial public offering by Schwarz Pharma. Under the book-building process, the price of the pharmaceutical concern's new shares has been set at DM53 to raise DM262m. About 60 per cent of the shares were placed with German private and institutional shareholders, and the rest abroad.

Also coming to the market this month is Kiekert, a maker of vehicle locking systems with turnover of around DM750m. The biggest IPO in 1995 will be that of E. Merck, the pharmaceuticals group which aims to raise more then DM2bn.

Elektrowatt ahead by 5% in first half

By Ian Rodger in Zurich

Elektrowatt, the Swiss electricity generating and engineering group, recorded a 5 per cent rise in net income in the six months to March 31 1995, to SFr126m ($109m), partly because its engineering and contracting division returned to profit.

Revenues rose 6 per cent to SFr2.6bn and cashflow advanced 8 per cent to SFr421m.

The directors expect sales and cashflow to continue growing at much the same rate as in the first half and full-year net income to equal last year's SFr172m.

Sales in the electricity division rose 4 per cent to SFr970m, partly reflecting an expansion of trading activities. However, depressed prices caused net income to fall 7 per cent to SFr85m.

The engineering and contracting division's sales were up 2 per cent at SFr469m, with the Göhner Merkur property management side showing the best growth and offsetting the impact elsewhere of the strong Swiss franc. The division turned round from a SFr11m loss to net income of SFr8m.

Sales in the industry segment advanced 11 per cent to SFr1.19bn, as a result of strong growth in the building controls and electronics businesses. The segment's net income surged 54 per cent to SFr37m.

INT'L COMPANIES AND FINANCE

Rescue package for Banca Serfin

By Leslie Crawford in Mexico City

The Mexican government yesterday agreed to take over the problem loans of Banca Serfin, Mexico's third biggest bank in terms of assets, in return for a commitment from existing shareholders to recapitalise the bank.

The finance ministry said Grupo Financiero Serfin, the financial group which owns Banca Serfin, would inject 2.17bn pesos ($350m) of fresh capital into its troubled bank in return for being allowed to sell 4.34bn pesos of discounted non-performing loans to the government.

The ministry said the government had agreed to acquire Serfin's problem loans in order to strengthen the liquidity and solvency of the bank.

The loans will be purchased at market value, implying that a far higher nominal value of problem loans will be removed from Serfin's books.

Serfin's non-performing loans increased 83 per cent in the year to March, to 11.3bn pesos, or 12 per cent of its total loan portfolio.

Banking analysts forecast Banca Serfin's problem loans would continue to grow as the recession in Mexico deepened, and expressed fears the bank would not be able to generate sufficient earnings to make additional loan-loss provisions.

The government's rescue scheme is therefore regarded as the only way of keeping the bank afloat.

The scheme is similar to the one which last month allowed Banco Bilbao Vizcaya of Spain to take control of Probursa, one of Mexico's smaller banks.

In the Probursa deal, BBV agreed to inject $350m of fresh capital into the bank, while the government agreed to purchase $800m worth of Probursa loans, duly provisioned against default.

The Probursa deal provided a template for the recapitalisation of other banks which are experiencing liquidity problems.

High interest rates and recession in Mexico have accelerated the number of loan defaults.

The Bankers' Association estimates past-due loans increased 45 per cent in the first three months of the year and totalled 80bn pesos or 15 per cent of the banking system's total loan portfolio, at the end of March.

Past-due loans now exceed the capitalisation of the entire banking system, which has placed the solvency of Mexico's financial groups in jeopardy.

Unlike Probursa, however, Serfin was too large to be taken over by a foreign bank.

The burden of recapitalising the bank will therefore fall on the present shareholders, including the Sada family of Monterrey, which owns a controlling stake in Serfin, as well as Vitro, one of the world's three biggest glass container producers.

The ministry said Banca Serfin would be recapitalised through a rights issue totalling 1.24bn pesos, while the remaining 930m pesos would come in the form of subordinated bonds which will be convertible into shares after five years.

Grupo Financiero Serfin, which includes a brokerage house and leasing and factoring operations, had a market capitalisation of $483m at the end of March.

The group reported first-quarter earnings of 171m pesos, down 47 per cent from the same period last year.

The results would have been much worse but for the bank's decision to request 3.2bn pesos of emergency funds from the Mexican central bank to shore up capital and reserves.

Two other financial groups are reported to be holding similar discussions with the government.

Grupo Financiero Bital, the owners of Mexico's fifth largest bank, Banco Internacional, is hoping its two foreign shareholders – Banco Central Hispanoamericano of Spain and Banco de Portugal – will contribute additional funds for a capital injection.

The Bank of Nova Scotia has also been asked to increase its equity stake in Banco Inverlat.

Banco Itaú moves into the fast lane

The bank has shed its cautious image and is investing in new countries and services, writes Angus Foster

These are heady days at Banco Itaú, Brazil's second-biggest private sector banking group. Throwing off its mantle of conservatism and cautious accounting, the bank has in recent months set up shop in Europe, announced it will open 35 branches in Argentina, and dived into investment banking via a joint venture with Bankers Trust of the US.

Long-term followers of Itaú, pronounced It-ow-u, are used to a more leisurely pace. Mr Roberto Setubal, who last year became executive president at the age of 40, assures them there has been no revolution.

"Itaú is still conservative. The changes at the bank stem from decisions taken three or four years ago when Itaú reviewed its commercial strategy. There were various initiatives on internal reorganisation, new products and revamping of the branches.

"The changes you are seeing now are not sudden, but they are just more visible," he says.

Itaú is one of Latin America's biggest banks, with more than 1,000 branches and total assets of more than $15bn. As a mark of its caution, and the years of high inflation which left Brazilian banks averse to long-term lending, it has a risk-weighted capital ratio of more than 24 per cent, three times the Basle minimum requirement.

Its rating from London banking agency IBCA is the highest in Latin America, along with Brazilian rival Bradesco. In Brazil, where inflation also created one of the world's most advanced electronic banking systems, Itaú is considered market leader in new services such as telephone banking.

Its three new ventures tie in with broader changes under way in Brazil since 1990, when the country started opening its economy. Growing foreign trade prompted the bank's decision to go to Argentina and Europe, where it last year opened a subsidiary in Lisbon.

The restructuring of Brazil's private sector, expected to lead to more takeovers and foreign fundraising, spawned the link with Bankers Trust.

Although the ventures were approved before he became president, their success or failure will be Mr Setubal's responsibility. An engineer by training, his father is president of the bank's advisory board and his family has joint control of the Itaú group.

However, outsiders say Mr Setubal was not appointed because of his name. With the bank since 1981, he also worked for two years in New York as an assistant to Citibank's president John Reed.

Argentina is the most interesting, and most risky, of the three ventures since it will be the first time a Brazilian bank has entered foreign retail banking. Mr Setubal says the first four branches will be ready in the second half of this year.

BANCO ITAU

	Net profit (R$ m)	Return on equity (%)
1995*	88.3	12.9
1994†	320.0	12.5
1993†	312.0	13.4
1992†	255.0	-

* 1st quarter; † full year — Source: company

The rest, needed for "minimum critical mass", will open in the next two or three years.

Argentina's lure is partly growing trade and investment between the two countries, which in January set up the Mercosur customs union, and partly Argentina's backward financial system. Brazil handles 11.5 times more banking transactions each year, even though its population is about five times Argentina's.

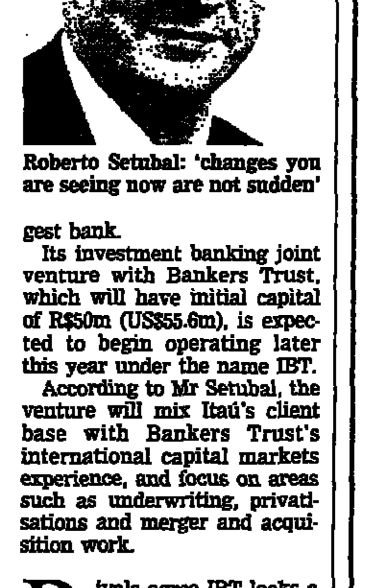
"Their financial system is clearly inefficient and the banking system is set to grow rapidly," says Mr Setubal. "Itaú, because of our technology and scale in Brazil, can be extremely competitive on cost and new products in Argentina. We are starting from scratch because we believe those advantages only work within a newly established bank. But we could acquire other banks later on."

Itaú's drive into Argentina has met mixed reactions. The questions are not about the logic but the timing of the move, especially because of changes under way in Brazil. Inflation's sharp fall since last year's launch of the Real currency forced banks to seek new fee and credit income rather than rely on inflationary gains. Itaú's loan book grew 34 per cent last year, in line with other main banks, as consumer confidence and real wages increased.

Mr Rodrigo Fiães, a banking analyst in Rio de Janiero, says Itaú's strong balance sheet gives it "gigantic room" to grow. "But Argentina's credit expansion has already taken place. I would put my resources in Brazil rather than Argentina at the moment," he says.

Mr Setubal dismisses one concern: that Argentina will distract management's attention from Brazil, saying that only about 10 Itaú employees would be transferred.

Indeed, it cannot be accused of ignoring Brazil. It is one of three banks bidding for the 54 per cent stake held by Crédit Lyonnais, the French state-owned bank, in Banco Francês e Brasileiro, Brazil's 14th biggest bank.



Roberto Setubal: 'changes you are seeing now are not sudden'

Its investment banking joint venture with Bankers Trust, which will have initial capital of R$50m (US$55.6m), is expected to begin operating later this year under the name IBT.

According to Mr Setubal, the venture will mix Itaú's client base with Bankers Trust's international capital markets experience, and focus on areas such as underwriting, privatisations and merger and acquisition work.

Rivals agree IBT looks a good idea in theory, but they remain sceptical about the practice. Itaú's conservative commercial banking traditions may not mix with BT's aggression. BT has tried and failed two previous forays into Brazil. "I am still to be convinced it will work," says one São Paulo banker.

Mr Setubal, now in office for 15 months, will face such scepticism until the ventures have built a track record. In the meantime, the bank's immediate future is likely to be less animated than its recent past.

"After Argentina, I don't see other countries as a prerequisite. Our overseas operations will always be closely linked to our clients, so further expansion will depend on Brazil's external trade side," he says.

To the Holders of

Middletown Trust

10⅞% Notes Series B due 1998

NOTICE IS HEREBY GIVEN that, pursuant to Article Eleven of the General Covenant, for the Sinking Fund due July 15, 1995 U.S. $18,360,000 of the Notes will be redeemed at 100% of their principal amount plus accrued interest to July 15, 1995, when interest on the Notes redeemed shall cease to accrue. Following the above redemption, U.S. $67,965,000 10⅞% Notes Series B due 1998 and U.S. $37,205,000 11⅞% Notes Series C due 2010 will remain outstanding.

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to July 15, 1995 at the offices of the Paying Agents outside of the United States listed below on or after July 17, 1995:–

The Chase Manhattan Bank, N.A.	Chase Manhattan Bank	Banque Bruxelles Lambert	Chase Manhattan Bank
Woolgate House	Luxembourg, S.A.	Avenue Marnix 24	(Switzerland)
Coleman Street	5 Rue Plaetis	1050 Brussels	63 Rue du Rhône
London EC2P 2HD	L-2338	Belgium	CH-1204 Geneva
England	Luxembourg-Grund		Switzerland

The serial numbers of U.S. $18,360,000 Bearer Notes to be redeemed are as follows:

1	961	1912	2882	3821	4772	5722	6714	7777	8733	9652	10535	11476	12365	13197	14048	14918	15793	16658	17583	18576	19564
13	966	1916	2886	3826	4777	5732	6729	7780	8739	9655	10539	11479	12375	13202	14049	14923	15794	16661	17594	18583	19568
14	967	1923	2905	3829	4783	5733	6731	7791	8740	9656	10545	11483	12376	13205	14067	14929	15798	16670	17606	18584	19572
15	968	1927	2907	3931	4790	5742	6738	7792	8744	9657	10555	11489	12382	13211	14072	14930	15811	16671	17609	18588	19575
17	969	1934	2920	3843	4796	5743	6741	7796	8756	9662	10557	11494	12386	13217	14084	14936	15814	16672	17613	18590	19576
19	970	1947	2921	3845	4803	5754	6746	7799	8757	9680	10559	11497	12387	13218	14088	14944	15816	16677	17621	18600	19589
21	972	1963	2925	3849	4807	5763	6762	7802	8758	9684	10570	11498	12409	13219	14089	14955	15818	16706	17623	18608	19592
27	990	1969	2926	3850	4808	5765	6770	7807	8777	9680	10572	11521	12413	13221	14091	14964	15822	16730	17630	18609	19613
41	992	1980	2930	3853	4820	5770	6773	7816	8779	9704	10574	11524	12414	13223	14092	14975	15823	16735	17653	18617	19621
62	993	1987	2931	3856	4825	5776	6773	7821	8780	9707	10585	11525	12418	13224	14097	14978	15826	16737	17668	18630	19624
67	1002	1992	2932	3858	4831	5793	6783	7824	8781	9712	10593	11526	12426	13228	14099	14991	15830	16738	17675	18632	19632
79	1018	1998	2933	3860	4836	5804	6792	7826	8791	9723	10598	11528	12431	13232	14103	15001	15834	16740	17676	18635	19635
86	1025	2001	2935	3864	4840	5811	6798	7831	8793	9725	10605	11530	12444	13251	14110	15002	15837	16746	17679	18648	19639
96	1033	2005	2939	3865	4852	5812	6818	7843	8801	9731	10607	11539	12447	13252	14111	15005	15839	16752	17683	18656	19644
100	1034	2008	2941	3879	4863	5815	6824	7848	8804	9734	10611	11540	12449	13259	14115	15010	15840	16753	17684	18658	19656
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839	1798	2710	3694	4601	5575	6537	7619	8560	9483	10360	11313	12199	13106	13915	14804	15660	16514	17401	18403	19396	20433
846	1799	2715	3704	4610	5578	6543	7625	8561	9485	10374	11317	12203	13110	13917	14810	15661	16515	17417	18408	19401	20440
852	1806	2717	3706	4618	5588	6547	7626	8562	9488	10383	11321	12207	13112	13923	14812	15663	16522	17433	18417	19402	20445
856	1816	2718	3711	4619	5595	6549	7628	8571	9493	10396	11327	12209	13113	13925	14826	15664	16537	17434	18422	19418	20446
868	1817	2721	3712	4634	5598	6558	7631	8589	9496	10398	11351	12221	13120	13926	14827	15665	16540	17442	18428	19425	20462
877	1820	2725	3713	4641	5606	6568	7656	8593	9498	10400	11356	12231	13121	13929	14835	15669	16551	17449	18433	19430	20463
878	1823	2731	3714	4644	5607	6586	7659	8595	9503	10402	11361	12232	13127	13935	14839	15673	16563	17454	18439	19437	20476
879	1825	2732	3715	4649	5610	6603	7661	8597	9508	10408	11363	12254	13128	13937	14840	15677	16573	17455	18442	19440	20477
881	1836	2733	3719	4658	5616	6604	7665	8614	9509	10428	11371	12260	13131	13952	14846	15680	16576	17457	18459	19444	20485
885	1837	2749	3720	4669	5617	6615	7676	8617	9511	10440	11373	12263	13134	13956	14853	15687	16583	17459	18482	19447	20499
888	1838	2767	3721	4677	5624	6616	7679	8618	9514	10442	11376	12264	13136	13957	14855	15690	16589	17468	18486	19448	20506
891	1839	2771	3729	4678	5633	6619	7682	8619	9528	10450	11378	12265	13138	13969	14856	15692	16591	17469	18491	19450	20512
892	1840	2785	3739	4683	5636	6632	7685	8627	9539	10462	11379	12268	13150	13973	14857	15694	16592	17476	18494	19457	20517
893	1841	2799	3741	4686	5651	6634	7692	8637	9540	10463	11388	12273	13157	13975	14862	15695	16597	17484	18500	19466	20523
910	1843	2810	3747	4700	5659	6635	7701	8638	9542	10469	11392	12275	13158	13977	14868	15711	16600	17488	18503	19469	20526
911	1844	2812	3756	4704	5661	6637	7720	8644	9574	10472	11396	12284	13160	13984	14872	15712	16608	17493	18514	19470	20527
912	1845	2816	3769	4715	5664	6643	7724	8649	9588	10475	11398	12285	13168	13986	14873	15718	16610	17504	18517	19473	20529
920	1852	2817	3771	4722	5666	6644	7729	8651	9589	10484	11402	12299	13169	13989	14884	15729	16611	17511	18520	19482	20536
921	1861	2821	3785	4725	5674	6649	7730	8655	9590	10485	11411	12302	13171	13993	14886	15736	16615	17522	18530	19492	20538
924	1880	2823	3788	4729	5676	6650	7739	8657	9603	10489	11423	12306	13173	13994	14893	15744	16618	17526	18533	19494	20544
932	1884	2833	3795	4730	5677	6655	7746	8667	9607	10497	11427	12310	13175	13997	14898	15754	16622	17527	18538	19501	20551
940	1887	2837	3801	4741	5678	6658	7751	8682	9628	10499	11429	12311	13177	14001	14903	15755	16625	17534	18540	19503	20553
948	1889	2844	3805	4751	5685	6673	7752	8690	9641	10501	11433	12318	13178	14002	14904	15761	16629	17537	18543	19513	20564
952	1890	2855	3806	4756	5692	6674	7754	8695	9645	10504	11434	12329	13181	14003	14905	15762	16632	17553	18544	19515	20566
955	1897	2876	3810	4763	5697	6685	7755	8698	9647	10505	11454	12334	13183	14009	14912	15763	16648	17559	18547	19530	20573
957	1898	2877	3813	4768	5707	6692	7768	8705	9648	10514	11466	12339	13192	14036	14914	15776	16650	17563	18561	19534	
960	1908	2880	3817	4770	5711	6704	7774	8729	9649	10533	11472	12341	13196	14041	14915	15777	16653	17566	18570	19557	

The redemption price and accrued interest on the Registered Notes are payable at the office of the Registrar, Transfer Agent and Paying Agent, The Chase Manhattan Bank, N.A., Corporate Trust Administration, 4 Chase Metrotech Center, Brooklyn, New York, NY 11245.

The Connecticut Bank and Trust Company
National Association as Trustee

Dated: May 12, 1995

The following companies have declared final dividends, in South African currency, payable on 2 August 1995 to members registered in the books of the companies concerned at the close of business on 30 June 1995:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share (cents)
Driefontein Consolidated Limited (Registration No. 68/04880/06)	44	130
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	51	105

Dividends will be electronically transferred to members bank or building society accounts on 2 August 1995, or, where this method of payment has not been mandated, dividend warrants will be posted to members on 1 August 1995.

Standard conditions relating to the payment of dividends are obtainable at the share transfer office and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 30 June 1995, in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 1 to 7 July 1995, inclusive.

The following companies have not declared final dividends:

Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)

Doornfontein Gold Mining Company Limited (Registration No. 05/24709/06)

By order of the boards
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S.J. Dunning, Secretary

Head Office:
75 Fox Street
Johannesburg 2001
Republic of South Africa

London Office and Office of United Kingdom Registrar:
Gold Fields Corporate Services Limited
Greencoat House
Francis Street
London SW1P 1DH

13 June 1995

THE ROYAL BANK OF CANADA
U.S. $300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 15th June, 1995, the Notes will bear interest at the rate of 6⅜% per annum. The interest payable on 15th September, 1995 against Coupon No. 38 will be U.S. $15.972222 per U.S. $1,000 nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

U.S.$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(SECOND SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 6.25% and that the interest payable on the relevant Interest Payment Date September 14, 1995, in respect of US$5,000 nominal of the Notes will be US$79.86 and in respect of US$100,000 nominal of the Notes will be US$1,597.22.

June 14, 1995, London
By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANK

USD 10,000,000,000
EURO MEDIUM TERM NOTE OF SOCIETE GENERALE, SOCIETE GENERALE ACCEPTANCE NV AND SOCIETE GENERALE AUSTRALIA LIMITED
SERIE N° 102
SGA SOCIETE GENERALE ACCEPTANCE NV
USD 19,160,000 10 % CURRENCY LINKED NOTES
DUE JUNE 12, 1996
ISIN CODE : XS0051212131

Notice is hereby given to the Noteholders that for the period June 8th, 1994 to June 12th, 1995 the Interest Rate has been fixed at 12.2804863 %

Payment date : June 12th, 1995
Coupon nr : 1
Amount :
2.379.084,97 USD for the nominal of USD 19.160.000

THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

INTERNATIONAL COMPANIES AND FINANCE

Sun slashes dividend and announces broad shake-up

By Richard Waters in New York

The prolonged squeeze on US oil refining margins forced Sun Co, the country's biggest independent refining and marketing company, to slash its annual dividend and announce a broad cost-cutting programme yesterday.

The dividend cut, to $1.00 from $1.80 last time, will save the company about $85m in cash a year.

A plan to cut staff by 800, along with other expense reductions, is intended to save a further $110m a year.

The stock market reacted negatively to the news, marking down the shares by 12 per cent yesterday morning, to $28¾.

Mr Robert Campbell, chairman and chief executive, said: "We maintained [the previous] dividend level in anticipation that market conditions would right themselves shortly and financial performance would improve, but we can no longer wait for that to happen."

It would be a "risky strategy" to assume that the pressure on refining margins will ease soon, he said.

The company's shareholders will be able to opt for a new class of share under which they can continue to receive a $1.80 dividend for the next three years. However, they will have to accept other restrictions as a result.

Sun said the partial exchange offer would apply to 25m shares, or nearly a quarter of the total.

The new class of preference share, which is redeemable into ordinary shares, will have a ceiling price of $40 and carry only half the voting rights of ordinary shares.

As part of the overhaul, the Philadelphia-based company said it would split its businesses into eight separate operating units.

Sun operates 4,000 retail outlets in the north-east of the US under the Sunoco brand name, and owns five US refineries. It also sells lubricants and petrochemicals worldwide.

The company spun off its US exploration and production operations in 1988, but continues to produce oil and gas internationally, mainly in the North Sea.

Sun also outlined plans for the first $635m of the $770m it is due to receive from the sale of its 55 per cent interest in Suncor, a Canadian subsidiary.

Some $335m of the cash will be used to repay debt, while about $200m will be used to mount an auction to buy back 6.4m of the company's shares. Some $100m will be set aside for a possible further share repurchase programme.

US chip industry set for growth

By Louise Kehoe in San Francisco

The US semiconductor industry is poised for unprecedented sales growth over the next few months, according to the latest data.

The industry's closely watched leading indicator, the North American semiconductor book-to-bill ratio, which was published yesterday, rose in May to the highest level in the nine years that it has been measured in the current manner.

The ratio of the value of new orders for semiconductor products versus the value of shipments rose to 1.22 for May, the first time the figure has gone above 1.20.

A record $4.3bn in new orders for semiconductors was placed in North America during the month, according to World Semiconductor Trade Statistics (WSTS), the independent organisation that gathers industry data. This represents a 5.7 per cent increase over $4.07bn of orders in the previous month.

Sales also increased, rising to $3.54bn in May, a 2 per cent advance over the $3.47bn level of April. Sales in the period were 37.8 per cent higher than in the same month a year ago.

WSTS forecasts that the value of the North American semiconductor market will reach almost $45bn by the end of this year and $75bn in 1998.

Chilean brewer seeks partners

Compañia Cervecerias Unidas (CCU), the Chilean brewer, is in talks to form strategic alliances with other companies in fields ranging from beer production to packaging, reports Reuter from Santiago.

"We are in permanent talks with potential partners as much for beer production as for wine, packaging and soft drinks," said Mr Francisco Perez Mackenna, general manager.

CCU already has a joint venture with Argentine bottler Buenos Aires Embotelladora to bottle and distribute soft drinks, including Pepsi, in Chile.

Mr Perez Mackenna said he expected the company, Chile's biggest brewer, to produce better results in the second half of the year than in the early months. CCU posted first-quarter profits of 8.8bn pesos ($8.8bn), down 12 per cent from a year earlier.

One of the company's main objectives is to consolidate its investments in Argentina, where it has a 60 per cent stake in Compañia Industrial Cervecera, said Mr Perez Mackenna.

CCU is building a new bottling plant in northern Argentina, which should come into operation next year with a capacity of 450,000 hectolitres a year. It is also interested in other markets, including Peru and Bolivia.

CCU plans to invest 1.2bn pesos in Chile this year, with projects including a new bottling plant in Temuco.

Mexican media group agrees loan restructure

By Daniel Dombey in Mexico City

Grupo Televisa, Mexico's dominant media group, has reached an agreement with Banamex, the country's largest bank, to restructure a loan of 3.4bn pesos ($541m) that initially was due in August 1996.

The loan's maturity will be extended to 2000 and its interest rate increased from the current level, which was agreed before Mexico's economic crisis pushed rates above 50 per cent.

"This agreement gives Televisa some breathing space," said Mr Jorge Sanchez, an analyst with Vector, a Mexico City stockbroker.

Banamex will benefit from the increase in interest paid on one of its largest corporate loans. The rate of 16 per cent payable on the Televisa loan until now compares with current interbank interest rates of more than 53 per cent.

"This agreement is much more favourable to Banamex than to Televisa," said an analyst. "Before, Banamex was losing money on this loan."

Until August 1996, the rate will be fixed by the average of interbank interest rates and the 16 per cent payable on the loan until now. From August 1996 to August 1997, the rate will shift up to the monthly interbank rate plus an extra 1.25 per cent, and from August 1997 until the loan's maturity date it will be equivalent to the most favourable rate for equivalent corporate loans.

This year, Televisa's advertising sales, its most important source of income, are expected to drop by between 10 and 25 per cent in real terms, as even big advertisers cut back on expenditure. Total sales for 1994 were $1.9bn for the television, magazine and entertainment company.

The company is also waiting for a decision from Mexico's competition commission on a proposed $211m sale of a minority stake in its cable television operator.

Amoco to retail petrol in Poland

By Christopher Bobinski in Warsaw

Amoco, the US oil and gas company, is expanding into petrol retail operations in Poland as the first step in a strategy aimed at developing new retail markets in eastern Europe, China, Russia and Mexico.

The group, which has concentrated its oil refining and petrol retailing operations in North America, said it planned to open its first Polish stations next year and build 150 in the country over the next decade.

The stations, costing about $750,000 each – exclusive of the price of the land – would be supplied from local refineries.

The Polish government has still to take long-delayed decisions on the privatisation of the country's oil refining and petrol distribution sector.

Plock and Gdansk, the two main refineries, are embarking on modernisation programmes worth more than $1.5bn.

Under preliminary government plans, they are to be merged with CPN, the state-owned petrol distribution network. Shares in both refineries would then be offered separately to strategic investors.

Yesterday, Amoco said it would "consider the possibilities" when the refineries were put up for privatisation.

Statoil of Norway and Neste of Finland already have 11 petrol stations each in Poland; Conoco of the US has nine.

Esso and Shell have six each and Aral of Germany, four. Texaco is about to start its own petrol station building programme.

CPN has nearly 1,400 outlets and more than 3,000 stations which have been built by local private operators in the past five years.

UDI acquires Flair

By Robert Gibbens in Montreal

United Dominion Industries, 40 per cent-held by Canadian Pacific, has completed its acquisition of Flair, a leading US manufacturer of filtration equipment, for US$203m. It plans to spend up to $700m on further acquisitions in the next few years.

UDI, which earned US$62m, or $1.55 a share, on revenues of $2.04bn last year, does most of its business in the US and overseas.

UDI's industrial group makes a range of products from compaction equipment to pumps. The company owns Litwin, the oil and petrochemical engineer, and operates a diversified construction product division. It moved out of US machine tools several years ago.

However, UDI remains sensitive to the economic cycle and some analysts say future acquisitions would only offset weakness in existing businesses if the North American slowdown proves protracted.

Flair has annual sales of $200m and is profitable. Its products are distributed worldwide by Ingersoll-Rand, the US industrial equipment group.

Canadian bank in Mexico

By Robert Gibbens

National Bank of Canada has linked up with Confia, a mid-sized Mexican bank, to provide its business customers with access to Mexican banking services. Confia's Mexican clients will get access to the Canadian market.

Confia is a subsidiary of Abaco Grupo Financiero and National's customers will also get access to Abaco's brokerage, foreign exchange, leasing and insurance services.

National Bank opened a representative office in Mexico City a year ago. The three biggest Canadian banks have representative offices there, and Toronto Dominion has just reopened an office after a decade's absence.

INTERNATIONAL COMPANIES AND FINANCE

NEC set to expand with new semiconductor plant

By Michiyo Nakamoto in Tokyo

NEC, the Japanese computer and electronics company, is considering building a new semiconductor plant in northern Japan at a cost of Y50bn to Y60bn ($594m to $713m).

Plans for the new facility, for the production of next-generation semiconductor chips, reflects strong demand for semiconductors worldwide. NEC had originally planned to build the plant in Yamagata, northern Japan, in 1991 with production commencing in 1993. However, the poor economic climate at the time forced it to postpone the plan.

Expectations for continuing growth in the semiconductor market means that the the climate for investment in capacity has changed dramatically. In the year just ended, NEC saw strong growth in semiconductor sales, to $8.1bn, which it expects to increase this year to $10bn.

The company's capital expenditure plans for semiconductors in the current year, at Y150bn, are the highest in its history.

The new facility under consideration follows the group's decision last year to build a $800m production facility in Scotland and expand its production site in California.

NEC has also just completed a $1bn facility for the production of memory chips in Kyushu, in southern Japan.

Behind the confidence, NEC has for growth in its semiconductor business is the strength of the market, particularly in the US where the book-to-billings ratio – an indicator of demand for semiconductors – was the highest in a decade.

"The growing memory requirement of personal computers, the rapid development of multimedia, the revolution in networking and the more widespread use of semiconductor products have combined to create an across-the-board surge in demand," Mr Hajime Sasaki, NEC executive vice-president, said yesterday.

NEC expects strong demand for semiconductors to continue until the end of 1996.

Connections lend appeal to Indonesia IPO

Bimantara Citra's part flotation is oversubscribed, write Manuela Saragosa and Louise Lucas

Mr Bambang Trihatdmodjo, the second son of Indonesia's President Suharto, has had a hectic few weeks.

Since May 28, the usually publicity-shy 42-year-old has taken his company, Bimantara Citra – a broadcasting-to-infrastructure holding company – on a roadshow to Singapore, London, Edinburgh, New York, Hong Kong and Dallas, ahead of its initial public offering in Jakarta later this month.

Mr Bambang's trip was interrupted only once, when he made a short visit back to Jakarta on June 8 to attend his father's 74th birthday celebrations, forcing him to miss the company's presentations in Tokyo and Fort Lauderdale.

Today he returns to Jakarta, probably with some sense of success. According to Bimantara Citra's board of directors and Makindo, the managing underwriters, the 200m shares to be sold at between Rp1,100 and Rp1,500 ($35.01 to $47.75) each are already three to four times oversubscribed.

The shares represent 20 per cent of the company, and the price range puts Bimantara Citra on a price/earnings multiple of between 10 and 13.7 times 1995 earnings on a fully-diluted basis, compared with about 15 for the Indonesian market.

An additional 50m shares will be issued by the founding members, if demand warrants it. The group has also pledged not to return to the market with any cash calls for two years from the issue date.

Investor interest seems to suggest that few are perturbed by the company's political connections, which some analysts allege have helped Bimantara Citra win licences and contracts and could become problematic if President Suharto, now serving his sixth five-year term, steps down.

Bimantara Citra is jointly owned by Mr Bambang, who holds a 55 per cent stake; Mr Indra Rukmana, Mr Bambang's brother-in-law, who owns 20 per cent; and Mr Rosano Barack, Mr Peter Gontha and Mr Mohamad Tachril Sapi'ie, long-time friends and business associates of Mr Bambang, who own 10 per cent, 5 per cent and 10 per cent, respectively.

Speaking at the Hong Kong leg of the roadshow, Makindo directors said appetite for the company had been strong across the globe, with European demand especially keen. They said that one UK investor placed an order of £20m.

In Indonesia, whetting foreign investors' appetites has added significance because about 80 per cent of all trading is foreign-driven. Some 75 investors attended Bimantara Citra's Japanese roadshow, and twice as many turned up in Hong Kong, while in Singapore, Bimantara Citra attracted 200 potential investors.

Jakarta-based analysts say that in spite of the company's complicated and broad structure, which includes stakes of various sizes in 27 companies, investors are drawn to it because of its exposure to Indonesia's rapidly expanding telecommunications and media sectors.

According to Makindo's estimates for last year, some 35 per cent of Bimantara Citra's revenue came from broadcasting, while 22 per cent came from telecoms.

One of the holding company's units, Bima Graha Telekomindo, has a 45 per cent stake in Satelindo, an Indonesian satellite telecommunications company which competes with Indosat in providing international telephone services. However, competition is limited to marketing techniques and does not extend to pricing.

Satelindo also has a government licence to operate Indonesia's next generation of satellites, known as Palapa C.

The government did not call a tender when it awarded the Bimantara Citra unit the licence to set up Satelindo with the state-controlled companies Telkom and Indosat. This sparked speculation that Mr Bambang was given special treatment of the kind he may not see under a new president.

It is the kind of accusation which Mr Peter Gontha, commissioner at Bimantara Citra and an outspoken defender of Mr Bambang, abhors. He argues that, unlike some Indonesian companies, Bimantara Citra has always implemented the licences it has been awarded, be they for running a TV station or building a petrochemicals plant.

"Bambang is committed to the development of Indonesia," he says. "Our partners are the biggest companies: Mercedes-Benz, Nestlé. We have loans from foreign companies. Exim Bank . . . . you go to Paribas, you go to Sumitomo, or Industrial Bank of Japan. These are all companies that extend loans to us. Don't they evaluate? Yes, they evaluate much deeper, they go all the way. I mean people have to give us credit for the professional management that we have put [in place]."

He also points to Bimantara Citra's flagship company, the Indonesian TV station RCTI, in which Bimantara has a 69.82 per cent stake, and which last year attracted 48 per cent of the country's gross TV advertising spending.

The company predicts growth of 17 per cent a year in advertising revenues at RCTI, in spite of growing competition from other private stations.

Mr Barack, Bimantara's vice-president, says the projection is low compared with historical growth rates of between 30 and 40 per cent. He notes that the advertising pie as a whole is growing in Indonesia. Advertising spending per capita stand at $6 in Indonesia compared with $13 in the Philippines, $34 for Malaysia and $215 for Singapore.

Bimantara's directors say 30 per cent of the funds raised through the IPO will go to the telecoms sector; 21 per cent is earmarked for strengthening working capital; 13 per cent for broadcasting; and the remainder will go into the automotive, finance, chemical and pipeline sectors.

Says one Jakarta-based foreign analyst: "It's worth a trade."

BIMANTARA CITRA: FINANCIAL PROJECTIONS (Rp bn)

	Revenue	Net income	Dividend (Rp)
1993*	636.8	51.7	-
1994	644.4	54.9	-
1995	713.0	111.1	27
1996	855.0	154.7	38
1997	1,080.0	187.4	46
1998	1,272.0	238.7	58
1999	1,516.5	293.8	72
2000	1,747.2	388.9	95

* Actual. Source: Makindo

NEWS DIGEST

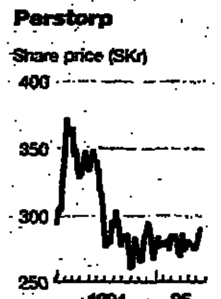
Perstorp posts 27% improvement after eight months

Perstorp, the Swedish specialty chemicals and plastics group, yesterday reported a 27 per cent rise in pre-tax profits, to SKr488m ($67.4m) for the eight months to the end of April, against SKr385m in the same period last year, writes Hugh Carnegy in Stockholm.

The group, whose operations include surface materials, resins and components, said sales rose to SKr8.54bn in the period from SKr6.76bn last time as demand in its main European markets grew. It said demand in the US shows signs of weakening, but it nevertheless forecast profits of between SKr700m and SKr750m for the full year to end-August, compared with SKr551m in the last fiscal full year. Perstorp said all its six divisions reported increased sales in the first eight months, with the surface materials, components, chemitec and specialty chemicals units all posting a rise in profits. The biotec and plastic systems units had lower profits due to acquisition costs, overcapacity and low prices.

Perstorp

Share price (SKr)



Source: Datastream

The biggest increase in sales came in the specialty chemicals division, where turnover rose 50 per cent to SKr1.5bn.

Acquisition gives fillip to Franz Haniel

Franz Haniel, the family-owned pharmaceuticals and trading group, expects turnover this year to rise about 20 per cent to DM24bn ($17.1bn), in part because of the recent takeover of Amalgamated Antracite Holding (AAH), the UK pharmaceuticals wholesaler, writes Michael Lindemann in Bonn.

Profits are also expected to reach record levels this year after rising about 15 per cent in the first six months compared with the same period a year earlier, the company said.

The 239-year-old company, one of Germany's largest family-owned businesses, said net profits in 1994 rose 25 per cent to DM242m from DM193m the year before. Turnover for the year, however, fell 24 per cent to DM19.7bn following the sale of Scrivner, the US foods group.

GEHE, the Haniel subsidiary which recently bought AAH, now has a 24 per cent share of European wholesale pharmaceuticals, the parent company said.

DB recovers and sees resumption of dividend

DB Group, the New Zealand brewery and hotel company controlled by Heineken, the Dutch brewer, and Singaporean interests, reversed a string of losses in the six months to March, and said it hoped to resume paying dividends later this year, writes Terry Hall in Wellington.

The company earned NZ$15.6m (US$10.41m) in the half-year, compared with a loss of NZ$76.88m for the same period last year.

Group debt fell to NZ$45m from NZ$199m; tax was NZ$8.9m against NZ$4m a year ago.

Mr Erik Korthals Altes, managing director, attributed the profit turnround to cost controls, efficiencies and increased gross margins. Sales fell to NZ$358m from NZ$397m following the disposal of hotels and franchising liquor stores, and the sale of the Pinto juice subsidiary.

Heineken and Singapore-based Malayan Breweries took control of DB Group in 1993 in an arrangement which saw their former joint venture partner, Brierley Investments, effectively swap its interests in the brewery company for a controlling stake in Austotel, Australia's biggest hotel chain.

Mr Korthals Altes said the group would expand capacity to increase production of Heineken beer in New Zealand following its enthusiastic reception on the local market.

Japanese dairy group turns in 29.3% advance

Snow Brand Milk Products, the Japanese dairy product maker, posted a sharp rise in group net profits, writes Emiko Terazono in Tokyo. The company saw group net profits rise 29.3 per cent to Y10.2bn ($121.22m) for the year to March, while consolidated recurring profits – before extraordinary items and tax – rose 16.5 per cent to Y22.1bn on a 4.6 per cent rise in sales to Y1,160.6bn.

Snow Brand said efforts to step up sales helped its profit rise, while the launch last July of a distribution and trucking centre for frozen foods and dairy products in Tokyo contributed to sales.

For the full year to next March, the company expects recurring profits to rise 3.5 per cent to Y22.9bn, while the group's sales are expected to increase by 2 per cent to Y1,184bn.

Samsung Electron plans plant expansion

Samsung Electron-Mechanics, part of South Korea's Samsung Group, said it would spend about Won1,000bn ($1.31bn) by the year 2000 to expand electronics parts plants and start car parts manufacturing, Reuter reports from Seoul.

Samsung said the investment was based on projections that the company's sales would rise to Won7,000bn in 2000 from an estimated Won1,400bn in 1995. He said half of the sum would be invested in increasing production of mobile phone parts, multi-layer ceramic capacitors, chip resistors and other electronic parts.

It said the remaining half would be used to build vehicle parts lines aimed at supplying products to Samsung's vehicle unit, Samsung Motor, which was established this year to make passenger cars, and truckmaker Samsung Heavy Industries.

About 50 per cent of the investment would be raised through new share issues on the domestic market and equity-linked bond issues overseas, he said. The rest would be met through the company's profits and soft loans from the Korea Development Bank.

Ford agrees Korean motor finance link-up

Ford Motor has agreed to buy a 40 per cent stake in Kia Autofinance, a factoring unit of South Korea's second largest vehicle maker, Kia Motors, to help market Ford cars in Korea, Kia said, Reuter reports from Seoul.

Kia said paid-in capital of Kia Autofinance, currently Won20bn, would be raised to Won100bn with Ford's participation.

Sales of Ford cars through the financing company in South Korea are scheduled to begin next year.

NTT may shed 10,000 jobs over three years

Nippon Telegraph and Telephone Corp (NTT) may shed 10,000 jobs over the next three years through natural attrition, the company's president, Mr Masashi Kojima, said yesterday, Reuter reports from Tokyo. He said the company would establish new units to which some of the workers would be assigned.

NTT had 194,000 employees as of the end of March 1995 after completing a rationalisation two years earlier than scheduled. In early 1993, it had 230,000 employees.

COMPANY NEWS: UK

First reduction in 39 years after £91.4m restructuring charge

Northern Foods falls to £16m

By Roderick Oram, Consumer Industries Editor

Northern Foods, yesterday reported its first profits reduction in 39 years as a public company as cost pressures and changing consumer patterns revealed problems across its businesses.

Pre-tax profits for the year to March slumped to £16.4m from £157.2m. A £91.4m charge for restructuring many of its operations, announced in March, accounted for some of the setback. Operating profits fell to £136.4m from £178.8m.

"These are extremely disappointing results," Mr Christopher Haskins, chairman, said. But the company was confident the restructuring, involving the loss of 3,500 jobs, would cut costs. And trading in the first two months of this year was "mildly encouraging".

However, he warned only some of the cost savings totalling £90m up to March 1998 would flow through to pre-tax profits because of continuing margin pressure.

In contrast, Unigate, which reported on Monday, pushed operating profits ahead with a sharp rise in fresh food profits offsetting a modest decline in dairy.

Northern's dairy profits fell 36 per cent to £57.4m as its margin fell from 9 per cent to 6 per cent. Its doorstep deliveries of milk fell 12 per cent and margins remained under pressure from higher costs.

Under its restructuring, Northern is cutting its glass bottling capacity by 40 per cent by 1997. It has closed three plants in the past year and more closures will be announced this summer.

Lex, Page 16


Tony Andrews
Christopher Haskins: extremely disappointing results

Marshalls advances 39% but cautious

Pre-tax profits of Marshalls, the West Yorkshire-based building materials group, rose by 39 per cent from £20.4m to £28.5m ($45m) in the 12 months months March 31, writes Andrew Taylor.

Trading, however, had become more difficult as the UK housing market has declined. *Profits growth as a result was* likely to be more modest in the current year, cautioned Mr Andrew Marshall, chairman. He was particularly concerned about *brick sales, which had fallen by* about 12 per cent in volume during April and May compared with the same two *months last year.*

About a quarter of group turnover including repairs and maintenance is generated by the UK and US housing market which also has been suffering of late. The outlook in the UK was much better for concrete and stone products.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Azlan Group	Yr to Mar 31	90.5	(61.5)	3.9	(3.87)	12.5	(12.4)	2.1	Aug 31	2	3.1	2
Bertam	Yr to Dec 31	2.18	(1.52)	4.41	(1.34)	16.99	(4.78)	4 §§	July 21	2.5	5	2.5
British Land	Yr to Mar 31	191.2‡	(155.1)	49.1	(53.9)	8.5	(11.5)	5.48	-	5.08	8.12	7.53
British Thornton	Yr to Apr 30	10	(10.3)	0.637	(2.1)	2.9	(11.4)	1	Sept 15	3.5	2	6
BSS	Yr to Mar 31	294	(258)	14.1	(9.86)	34.7	(24)	13.25	July 28	12	19.5	17.75
DBS ‡‡	Yr to Mar 31	55.5	(50.6)	2.28	(1.1♠)	48.5	(24.5)	12	-	10	12	10
Elliott (B)	Yr to Mar 31	104	(86.6)	4.25	(2.81)	8.84	(6.72)	1.5	Aug 1	1	2.5	1
Grainger Trust	6 mths to Mar 31	21.6	(16.4)	4.02	(4.76♥)	11.5	(15.9)	1.5	July 27	1.35	-	5.9
Great Portland	Yr to Mar 31	93.6‡	(83.7)	53.1♥	(24.5♠)	12.7	(5.5)	5.85	-	5.3	8.75	8
Hadleigh Inds §	Yr to Mar 31	30.4	(30.9)	0.837♠	(0.832)	8.2	(9)	2	Oct 2	1.5	3	2
Hawtin	6 mths to Mar 31	17.1	(14.4)	1.65	(0.82)	1.53	(0.78)	0.4	Oct 3	0.275	-	1.15
Heath (CE)	Yr to Mar 31 ⁑	172	(175)	19.1	(3.84♠)	15.9	(13L)	11	July 28	11	16	16
IWP Intl ♣	Yr to Mar 31	150	(121)	16.6♠	(15♥)	29.9	(34.5)	5.2	Sept 15	4.75	8.8	8
Marshalls	Yr to Mar 31	229.5	(191.5)	28.5	(20.4♥)	13.5	(8.62)	3.5	Oct 2	3	5	4.25
Marston Thompson	Yr to Mar 25	153.4	(142.8)	24.6	(23.3)	20.06	(19.21)	4.8	Aug 5	4.36	6.56	5.96
Mountview Estates	Yr to Mar 31	17.25	(14.41)	9.32	(7.24)	136.6	(105.6)	15	Aug 14	12	27	22
Northern Foods	Yr to Mar 31	1,971	(2,049)	16.4♠	(157.2)	0.1	(20.51)	5.3	Sept 22	5.3	8.8	8.8
Oceana	Yr to Mar 31	13.6	(14.7)	1.69	(2.99)	14.37	(25.88)	2.25	July 27	2	2.875	2.5
Quiligotti§	Yr to Mar 31	13.9	(12.9)	0.788L♠	(2.15L)	2.45L	(11.46L)	nil	-	nil	nil	nil
Rowe Evans	Yr to Dec 31	6.65	(5.68)	5.91♥	(3.37)	8.3	(4.45)	3☆	Sept 1	2	3	2
Severn Trent	Yr to Mar 31	1,076	(998)	267.5	(281.4)	66	(72.7)	20.64‡	July 21	15.2	28.87	22.75
Shoprite	61 weeks to Jan 1★	225	(164)	29.2L♠	(5.08)	35.9L	(5.64)	nil	-	1.6Φ	nil	2.1
Tring Intl	Yr to Mar 31	25.5	(22.2)	5.76	(5.16)	9.09	(8.46)	2.84	-	-	4.28	-
Volex	Yr to Mar 31	165.8	(149.2)	12♥	(10.3)	29.4	(23.6)	12.3	Oct 2	11.6	19	18.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Throgmorton Pref'd	*6 mths to Apr 30* ♦	85.8	(90.5)	1.47	(1.26)	2.45	(2.1)	2.2	July 21	2	-	4.8

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ‡Gross rental income. §§Foreign income dividend. ☆Includes foreign income dividend of 2.75p. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. ‡‡OTC-traded. ‡Includes second interim of 3.84p. ♦Comparatives for 8½ months. ⁑Comparatives restated. ★Comparatives for year to October 31 1993. ΦGross.

CE Heath may float computer services

By Ralph Atkins, Insurance Correspondent

C.E. Heath, the insurance broker, said yesterday that it might consider floating or demerging its successful computer services division.

Mr Peter Presland, chief executive, said there were no immediate plans but the creation of a holding company for the division meant the group "has some flexibility in that area".

His comments came as Heath announced pre-tax profits of £19.1m ($30m) for the year to March 31 against a restated £3.84m struck after exceptional charges of £26.5m. The result reflected losses at Premium Search, its new direct insurance broking service, and reduced profits from Australian underwriting.

There was a rise in operating profits in computer services from £5.3m to £6.4m. The group reported "sound" performances from both Peterborough Software, which specialises in human resource management software, and Datasure which sells software systems to insurance companies. The two could be worth £65m in total.

However, there were tough *trading conditions* in insurance broking, particularly UK retail operations where brokerage revenues fell by 8 per cent. Revenues from personal financial services fell 15 per cent. It made an undisclosed loss in this area, blaming adverse publicity over financial services and pension sales.

Severn Trent splits the spoils in £174m package

By Peggy Hollinger

A storm was brewing yesterday as Severn Trent unveiled a £174m ($273m) five-year shareholder and customer benefits package which came under almost immediate attack from the region's water consumer watchdog.

Announcing lower 1995 pre-tax profits of £267.5m profits after £55m restructuring charges Severn Trent said it would distribute the benefits of efficiency savings achieved since privatisation equally to customers and shareholders.

Domestic customers are to receive £30 off the average annual bill of £180 over the next five years – £4 this year and £6.50 in each of the following four – at a total cost of £87m. Shareholders will *also* receive £87m through an annual special dividend of 3.84p over the same period.

Mr Clive Wilkinson, chairman of the Central Customer Service Committee, the consumer arm of the Office of Water Services, said yesterday that customers deserved all the benefits of efficiency savings.

They had suffered a 70 per cent increase in prices since privatisation, he said, while investors had enjoyed substantial returns. "Sadly, it seems the shareholder gets the big bucks and the customer the loose change."

Mr Vic Cocker, Severn's chief executive, dismissed Mr Wilkinson's claims and said *Ofwat had been consulted on* the division of savings.

"At the end of the day, the water licence says 100 per cent of these benefits belong to shareholders," he said. "Giving them 50 per cent seems to be a good deal."

Water and sewerage increased operating profits from £324.6m to £362.6m before exceptionals. The improvement was achieved by holding cost increases to 1.2 per cent and a small rise in water consumption from larger commercial users. Biffa, the waste management business, increased operating profits by 22.5 per cent to £17.4m.

Post Office rises to record £472m

By Alan Cane

The Post Office yesterday declared record pre-tax profits of £472m ($741m) for 1994-95, 54 per cent ahead of last year's record £306m. It is the 19th *year in succession in which the* state-owned group has operated without subsidy.

However the figures were accompanied by a warning from Mr Michael Heron, *chairman, that the Post* Office needed more freedom to respond to competition by investing in areas adjacent to its traditional businesses.

Developments in communications technology and expansion by overseas postal administrations meant that the group's commercial situation was fragile.

He gave as an example an office the group opened last year in Manhattan, New York's financial district, which was already turning over $10m *annually delivering mail to* Europe through the UK.

Mr Bill Cockburn, chief executive, said: "The pace of change is remorseless. Today's success will only be repeated *tomorrow with the freedom to* develop and invest in new market opportunities, take commercial risks and collaborate with new partners in the private sector."

Turnover rose 5.56 per cent and the group surpassed commercial targets set by the government.

ABN hires ex-Barings employees

ABN Amro of the Netherlands has given new impetus to its investment banking expansion by hiring derivatives specialists formerly employed by Barings, the investment bank, and *appointing a senior executive* from James Capel, the stockbroker, writes Nicholas Denton.

A derivatives joint venture managed by Barings employees *and owned* by Abbey National has lost all its staff of more than 30 following the collapse of Barings.

Barings said the departures did not affect its business *because Abbey National had* been assuming full control of the joint venture. Abbey said it had seconded about 10 employees to maintain ongoing business.

Meanwhile ABN Amro Hoare Govett, the bank's London-based investment banking subsidiary, said it had appointed a new global head of sales: Mr Bob Benton, formerly managing director of James Capel, number three in the stockbroker's hierarchy.

The appointments are part of ABN Amro's effort to integrate a diverse portfolio of securities operations recently expanded by its acquisition of Alfred Berg.

British Land net assets static

British Land, the property investment company, achieved only a marginal increase in net assets per share in the year to the end of March, despite enlarging its property portfolio by more than 50 per cent, writes Simon London.

Net assets advanced by less than 1 per cent to 421p from a restated 418p. The positive impact of acquisitions was off-set by additional borrowing and the issue of new shares in March, when the company raised £210m through a placing and open offer.

During the year British Land expanded its portfolio by £1.2bn to £3.4bn ($5.33bn). In addition to acquiring properties valued at £380m, the company bought out Mr George Soros's Quantum Fund from their £600m joint venture.

In March it acquired a half share in Broadgate Properties, which owns the £1bn Broadgate office complex in the City of London. The company remains willing to buy out the remainder of Broadgate Properties if an agreement could be reached with bank creditors to Rosehaugh.

COMMODITIES AND AGRICULTURE

US likely to extend its export subsidy scheme

By James Harding

The US Department of Agriculture is likely to extend its Export Enhancement Programme beyond the cut-off for current allocations at the end of this month.

Mr August Schumacher, the USDA's foreign agriculture service administrator, yesterday said the EEP would be continued by making interim allocations pending an overhaul of the entire foreign subsidy structure, mooted as part of Farm Bill reform this year.

Speaking in front of a House agriculture committee, USDA officials also criticised the European Union for maintaining high levels of export subsidies, especially on grain, and refusing to reform the Common Agricultural Policy.

Following meetings with EU officials last week, Mr Schumacher said he was disappointed that there would be no further CAP reform and that the European Commission gave no indication of export subsidy cuts beyond those required under the Uruguay Round agreement.

The EU was also criticised for planning to spend $9bn a year in export subsidies next year, of which he said $1.2bn would be on grains, compared with the US administration's proposed $800m under the EEP.

USDA officials suggested proposals to change the export subsidy scheme would soon be published.

These are thought to include either an auction system of tradeable export certificates or a pre-announced subsidy at the minimum level to sell in specific markets. Alternatively, the USDA may just modify the existing system to focus on the size of contracts rather than market price, in order to encourage traders to seek higher prices abroad.

Although there were also reports that the USDA was working on changes to its Dairy Export Enhancement Programme, there was no indication of where the interim EEP allocations would be focused.

Glencore to fund New South Wales copper mine expansion

By Kenneth Gooding, Mining Correspondent

Glencore, the Switzerland-based international trading group once known as Marc Rich, is to fund the A$12m (US$8.8m) expansion of the Cobar copper mine in New South Wales and will take the entire production from next month until the end of 2,002.

The trading house and Golden Shamrock Mines, which bought Cobar from CRA two years ago, will also share information and co-operate in evaluating additional base metals projects "for mutual benefit".

Mr Willy Strothotte, Glencore's chairman, said that some projects were already being considered and that his group could finance ventures of about US$100m without straining its resources.

He said that GSM "are very good operators and have very good technical people and these combine well with Glencore's commercial and financial strengths".

The Cobar deal would give Glencore assured supplies of copper concentrate (an intermediate material). Cobar is being expanded to produce 145,000 tonnes of concentrate containing 30 per cent copper from the present 110,000 tonnes.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-10,500	to 787,675
Aluminium alloy	unchgd	at 26,040
Copper	-500	to 210,050
Lead	2,875	to 254,600
Nickel	-1,272	to 97,404
Zinc	-3,575	to 868,100
Tin	-145	to 18,615

Concentrate was previously sold to the Port Kembla smelter but has been exported since this smelter closed in January.

Glencore will provide a six-year credit facility of US$8.8m to GSM to fund the underground mine expansion. Repayments start in July 1997. Glencore has the option of converting the balance of the credit facility into either a maximum of 12.9 per cent of GSM Metals, holding company of Cobar Mines, or a maximum of 12m shares in GSM at the prevailing market price. This option can be taken up any time between July 1997 and June 1999.

Glencore has also agreed to provide a replacement US$7.5m working capital facility to fund concentrate stock-holding and advance payments of sales.

The long-term concentrate supply agreement will be on a "take or pay" basis, with pricing based on ruling London Metal Exchange copper prices and annual re-negotiation of refining and treatment charges.

The GSM deal follows hard on the heels of a similar one in which Glencore agreed to pay about A$2.9m for a 7.3 per cent stake in the Cumnock underground coal mine in the Hunter Valley in Australia with which it has a long-standing trading association. By converting a loan, Glencore can lift its holding in Cumnock to 14.7 per cent.

Water power works against Pakistani farmers

Farhan Bokhari reports on deepening problems in the country's irrigation system

As the sun sets over the river Ravi outside Lahore, capital of Pakistan's Punjab province, poor farmers lead their bulls to the river's banks so that the animals can quench their thirst after a hard day's work.

The Punjab, which literally means the land of the five rivers, is the country's agricultural heart-land and the model for its irrigation systems. Though poor, the peasants are proud to own some of that heart-land's most productive soil.

The animals play an essential part in their lives. The bulls are used not only to plough the fields but also to draw water out from the wells through "Persian wheels". On richer farms the wheel has been made redundant by the powerful tube well, but for the peasants it retains the essential role it has had, almost uninterrupted, for hundreds of years.

The interruption was during the era of the British Raj. As colonial rule progressed, new and efficiently run canals were dug to irrigate the bulk of the crop lands. Now, however, as Pakistan comes to terms with a deepening crisis in the irrigation system, the Persian wheel could once again come into its own. The Punjab's irrigation systems are, according to some estimates, working at just over 40 per cent of standard efficiency levels. The canals are clogged up because of poor maintenance, heavy silting, poor administration and in some areas rampant abuse by politically powerful land owners.

Although the crisis has progressed over the past two decades its gravity is only now coming home to policy makers hard.

The country's 17m hectares of crop-land, of which well over two thirds is in the Punjab, relies for up to 75 per cent of its irrigation needs on canal water.

The debate about the canal system has also been enlivened by proposals from the World Bank suggesting a Mexican style system giving more authority to the farmers to make decisions on running the canals. For Pakistan, that would mean some very radical administrative changes.

Based on a report which examines future prospects for Pakistan's agricultural sector, the bank also suggests other reforms, including a rise in irrigation charges.

However, critics among local farm owners say such a move towards privatisation of the canal system would further erode any prospects of improvement, as rich land-owners would increase their hold over the system, without any fear of government scrutiny.

Even Mr Farooq Ahmed Khan Leghari, the president, implicitly rejected the bank's idea at a recent farmers conference. Other senior officials who were present conceded that their own system was collapsing but opposed the bank's proposal on the grounds that it would not work in Pakistan.

Mr Leghari said: "I don't know whether the prescription offered in some quarters about privatisation of the irrigation system will ever work in Pakistan. I think we must look at our society". He echoed the small farmers' concern that a fully privatised system would be dominated by the rich and powerful landowners, to the further detriment of their poorer neighbours.

Mr Rashid Faruqui, the World Bank's principal economist at the agricultural operations section of the South Asia division, who has just toured Pakistan, denies that the bank's intention was to seek full privatisation. "Our message to Pakistan," he says, "is that the present system of irrigation is facing serious problems; problems of loss of efficiency in water use, problems of non-collection of water charges and consequently under-maintenance of the system, which is causing the loss of efficiency." The bank wants to encourage greater participation of farmers in the management of the canal system, he says.

Other critics charge that the Mexican model would be virtually impossible to transfer to Pakistan, especially as the two countries have vast differences in social indicators such as the rate of literacy. Mr C.M. Anwar, chairman of the Pakistan Agricultural Research Council, the country's leading agriculture research institution says: "Mexico has a literacy rate of 90 per cent. Ideas cannot be transferred from one to another country without taking account of local conditions". Opposing the bank's proposal, he adds: "Now, at least there is some water which is delivered. But then, it'll be up to the people running the association who will dictate".

However, the resistance to the bank's call has done little to hide the gravity of the situation. In villages less than two hours from Lahore, some farmers, especially those whose fields are at the tail end of the canals, complain bitterly. "I have not seen water come to my fields for over 15 years. Upstream, there are powerful and big land-lords who don't let the water pass beyond their farms," says one farmer. Like many other farmers in a similar predicament he who does not want to be named out of fear from local politicians. "I have spent a lot of money on buying water from my neighbour who has a tube-well. This is not a fair system," he complains.

Some officials are arguing that water rates, which have been kept below the systems' running costs, ought to be increased in the country's annual budget, which is being presented today. But critics such as Dr Amir Muhammad, a renowned agricultural scientist argues that the government must first improve efficiency levels before demanding more money from farmers. "If you guarantee the availability of water to the end user, then you have every right to increase the rate of water, because the current rate is unrealistic," he says.

NZ stock farmers feel pinch as slaughterers cut capacity

By Terry Hall in Wellington

New Zealand's sheep and beef farmers are suffering a sharp downturn in earnings following a severe reduction in slaughtering capacity.

This followed the collapse last year of two big meat processing companies, Weddel, controlled by the UK Vestey family and the locally-owned Fortex group. These companies failed because of intense competition for dwindling stock numbers among other processing companies. New Zealand sheep numbers have fallen from 73m to 50m over the past decade.

The failure of Weddel, which was one of the biggest North Island companies, and Fortex in South Island is forcing farmers to compete to have their stock killed: and has led the remaining companies to report their best profits for at least five years.

Beef and sheep farmers, understandably, are not happy. Until last year they had done exceptionally well – at the meat companies' expense. The companies had been paying uneconomic prices to farmers to get stock both for throughput and to gain quota for off-shore markets.

The Meat and Wool Boards' economic service forecast this week that prices for lamb will have dropped 18 per cent, and for mutton by 22 per cent in the year to June 30. Farmers' income from cattle will drop by up to 20 per cent.

The sharp fall in cattle prices – with low prices forecast to continue for at least the next two years – could lead to a switch back to sheep farming, according to the boards' economic service. While sheepmeat prices are low, sheep farmers' returns have been cushioned by a welcome jump in returns for wool and other by-products. Companies including co-operatively owned industry giants Affco and Alliance have reported improved profits.

Processing profits from North Island beef alone this year are 6 per cent higher than last year. This year the companies are having to pay around 30 per cent less for their stock, although this has been offset by a 35 per cent drop in the price of beef on the North American market.

North Island farmers are particularly incensed at the successful performance of the Weddel Consortium. The consortium was formed by the surviving meat companies who successfully clubbed together and bought the former Weddel assets from the company receiver, then promptly closed them down and remove competition.

Higher-than-expected profits have allowed consortium members to repay $NZ20m (US$13m) of their total bank loans of NZ$41m well ahead of schedule, confirming that much of the industry's problems of the past decade had been due to gross overcapacity.

In spite of falling earnings and deteriorating international beef prices cattle numbers are rising to record levels. The Meat Board estimates that cattle numbers will rise by 2.8 per cent to 4,890,000 by June 30. However sheep numbers are expected to drop by a further 1 per cent to around 49m by the end of the month.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1730-1	1753-4
Previous	1762-3	1779-80
High/low	1748	1790/1752
AM Official	1748.5-9.5	1770.5-1.0
Kerb close		1754-5
Open int.	195,202	
Total daily turnover	38,515	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1595-605	1620-30
Previous	1620-30	1640-50
High/low		1640/1620
AM Official	1605-15	1630-5
Kerb close		1620-30
Open int.	2,530	
Total daily turnover	222	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	617-8	630-1
Previous	615-5.5	628-8.5
High/low	617/616	633/628
AM Official	618.5-7.0	629.5-30.0
Kerb close		628-9
Open int.	30,619	
Total daily turnover	5,415	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7730-40	7880-90
Previous	7770-80	7905-10
High/low	7740/7730	8080/7880
AM Official	7840-50	7975-80
Kerb close		7950-60
Open int.	42,779	
Total daily turnover	12,434	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6740-50	6600-10
Previous	6730-40	6590-95
High/low		6855/6560
AM Official	6910-30	6750-60
Kerb close		6595-600
Open int.	19,550	
Total daily turnover	5,902	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1003-4	1027-8
Previous	1008-9	1031-3
High/low		1037/1026
AM Official	1007-8	1031-1.5
Kerb close		1028-7
Open int.	85,305	
Total daily turnover	11,879	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2904-5	2869-70
Previous	2920-2	2871-3
High/low	2918/2915	2882/2865
AM Official	2914-5	2876-7
Kerb close		2865-6
Open int.	239,511	
Total daily turnover	51,244	

■ LME AM Official £/$ rate: 1.5975
LME Closing £/$ rate: 1.5953

Spot:1.5960 3 mths:1.5941 6 mths:1.5895 9 mths:1.5844

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open Int	Vol
Jun	133.40	-1.15	133.90	133.40	977	83
Jul	132.85	-1.45	134.30	132.80	24,712	5,749
Aug	131.75	-1.20	-	-	742	-
Sep	130.65	-0.95	131.55	130.65	9,757	1,818
Oct	129.40	-0.85	-	-	691	-
Nov	128.30	-0.45	-	-	387	-
Total					45,139	7,710

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.20-387.60		
Opening	387.40-387.80		
Morning fix	387.50	242.567	446.323
Afternoon fix	387.00	242.420	446.327
Day's High	387.70-388.10		
Day's Low	386.75-387.15		
Previous close	387.40-387.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.56	6 months	5.00
2 months	5.30	12 months	4.90
3 months	5.22		

Silver Fix	p/troy oz.	US cts equiv.
Spot	337.15	538.75
3 months	341.90	545.70
6 months	347.15	552.70
1 year	358.40	566.65
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	388-391	243-245
Maple Leaf	398.20-400.70	-
New Sovereign	90-93	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	387.1	-0.8	388.7	387.2	1,159	345
Aug	389.4	-0.8	390.9	389.1	72,376	11,161
Oct	392.8	-0.8	394.1	393.1	5,762	284
Dec	396.1	-0.9	397.8	396.3	33,782	1,249
Feb	399.2	-0.9	-	-	13,583	40
Apr	402.3	-1.0	403.2	403.2	6,595	25
Total					164,818	13,418

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	435.9	-5.7	442.5	435.5	11,102	2,172
Oct	438.0	-5.6	444.5	437.0	8,080	471
Jan	440.2	-5.6	441.0	439.0	1,748	4
Apr	442.2	-5.6	445.2	445.2	733	-
Jul	444.2	-5.6	-	-	285	-
Total					21,948	2,644

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	160.00	-1.50	-	-	144	11
Sep	161.50	-1.50	166.00	160.50	5,226	311
Dec	163.00	-1.50	164.50	162.50	910	10
Mar	163.55	-1.50	-	-	1	-
Total					6,375	332

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	534.3	-2.4	-	-	14	8
Jul	535.7	-2.5	541.5	531.0	47,395	8,368
Aug	541.2	-2.8	548.0	538.0	[illegible]	[illegible]
Sep	545.5	-2.8	554.5	544.0	18,926	535
Dec	551.0	-2.8	-	-	16,862	221
Jan	558.2	-2.8	-	-	16	-
Total					108,345	9,283

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	18.89	+0.03	18.98	18.84	81,495	28,294
Aug	18.76	+0.03	18.83	18.71	54,261	15,665
Sep	18.59	+0.02	18.64	18.58	34,068	4,577
Oct	18.45	-	18.57	18.43	17,609	2,468
Nov	18.37	-0.02	18.40	18.36	16,432	1,260
Dec	18.25	-0.02	18.34	18.26	26,950	2,942
Total					337,840	62,983

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.70	-0.04	17.81	17.69	42,411	12,096
Aug	17.47	-0.05	17.57	17.47	52,283	11,476
Sep	17.29	-	17.36	17.29	17,984	2,220
Oct	17.20	+0.01	17.23	17.19	15,288	220
Nov	17.10	-0.02	17.10	17.10	5,148	171
Dec	17.11	+0.04	17.11	17.05	11,352	679
Total					168,509	26,389

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	48.70	+0.20	48.90	48.50	31,461	15,812
Aug	49.10	+0.13	49.30	49.05	19,853	4,215
Sep	49.85	+0.18	50.04	49.80	12,880	1,581
Oct	50.75	+0.23	50.85	50.75	6,840	730
Nov	51.50	+0.18	51.80	51.50	5,330	79
Dec	52.25	+0.13	52.40	52.35	19,607	731
Total					119,318	23,718

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	153.00	+1.50	153.50	152.50	31,680	10,371
Aug	153.00	+1.25	153.50	152.75	13,200	7,474
Sep	154.25	+0.75	154.75	154.25	10,102	1,320
Oct	157.00	+0.75	157.25	157.00	4,133	1,036
Nov	160.00	+1.00	160.25	160.00	3,243	318
Dec	158.00	+0.75	158.50	158.00	698	20
Total					80,804	20,926

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	1.710	-0.002	1.718	1.698	25,415	8,099
Aug	1.782	+0.004	1.782	1.775	20,325	3,908
Sep	1.815	-	1.815	1.800	18,543	846
Oct	1.825	-0.005	1.830	1.815	13,910	582
Nov	1.985	-0.010	1.990	1.985	8,450	168
Dec	1.988	-0.005	1.988	1.955	14,484	412
Total					148,977	14,927

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	58.90	-0.25	61.50	60.80	35,085	13,096
Aug	57.20	-0.18	57.20	56.60	38,425	4,785
Sep	56.75	+0.02	57.00	56.70	7,704	1,582
Oct	54.90	+0.07	54.90	54.60	3,537	651
Nov	54.20	-0.07	54.20	54.20	2,337	536
Dec	53.83	+0.12	54.00	53.80	3,321	384
Total					78,177	21,018

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	124.90	-0.10	126.00	125.00	581	106
Sep	108.00	+0.10	108.25	108.00	638	48
Nov	109.00	+0.15	109.20	109.00	3,157	25
Jan	111.00	+0.10	111.35	111.10	1,976	9
Mar	112.95	+0.30	113.60	112.95	557	19
May	114.65	+0.10	-	-	274	-
Total					6,658	202

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	379/0	+7/2	379/4	369/2	35,038	9,515
Sep	389/2	+7/2	389/4	379/4	18,278	3,133
Dec	399/2	+7/0	399/4	389/6	24,460	3,158
Mar	403/0	+7/4	403/0	393/0	2,540	135
May	385/0	+5/0	-	-	22	-
Jul	359/0	+4/0	359/0	352/0	351	83
Total					81,529	16,028

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	271/2	+3/6	271/4	267/2	104,345	30,095
Sep	279/0	+3/4	279/2	274/2	54,238	8,786
Dec	283/2	+3/6	283/4	278/6	139,235	20,821
Mar	287/4	+3/2	287/6	284/0	22,763	973
May	289/0	+1/2	289/2	286/0	4,910	96
Jul	290/6	+1/2	290/2	287/6	12,640	717
Total					424,466	68,863

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.50	-	-	-	173	-
Nov	106.75	-	107.00	107.00	865	11
Jan	109.00	-	-	-	330	-
Mar	111.25	-0.50	-	-	126	-
May	112.75	-	-	-	29	-
Total					1,334	11

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	579/6	+8/4	580/4	574/0	48,273	16,123
Aug	584/6	+9/2	585/4	579/0	18,849	2,450
Sep	590/4	+5/6	591/0	585/0	7,256	553
Nov	598/0	+4/6	600/0	593/6	64,417	28,231
Jan	606/2	+6/0	607/0	600/6	4,587	540
Mar	613/2	+6/2	613/4	608/0	1,536	122
Total					141,059	49,239

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	25.77	+0.47	25.80	25.36	20,323	17,042
Aug	25.66	+0.42	25.68	25.25	12,918	6,174
Sep	25.59	+0.42	25.60	25.25	9,289	1,817
Oct	25.55	+0.47	25.55	25.15	6,225	1,026
Dec	25.45	+0.43	25.46	25.05	18,283	8,713
Jan	25.42	+0.42	25.42	25.10	1,252	286
Total					78,185	35,948

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	171.2	+1.6	171.3	169.2	31,311	8,241
Aug	173.1	+0.5	173.3	171.2	13,555	2,343
Sep	175.3	+1.0	175.3	173.5	8,925	1,190
Oct	177.1	+0.7	177.2	175.5	8,448	1,098
Dec	181.2	+0.9	181.3	179.3	15,852	3,157
Jan	182.8	+1.2	182.5	180.5	1,353	20
Total					81,662	16,316

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	80.0	-	-	-	-	-
Mar	107.5	-	-	-	-	-
Apr	108.5	-2.6	118.0	107.0	551	84
May	140.0	+0.5	-	-	-	-
Jun	150.0	-	-	-	-	-
Total					666	84

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	1970	-	1980	1976	419	45
Jul	1862	-6	1865	1862	992	125
Aug	1830	-5	1860	1835	1,220	24
Oct	1820	-14	1840	1820	639	14
Jan	1759	-11	1770	1760	75	8
Apr	1750	-	1780	1750	88	19
Total					3,845	241

	Close	Prev
BFI	1967	1991

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	915	-8	920	911	17,845	684
Sep	935	-8	938	931	26,177	1,148
Dec	959	-9	963	956	22,670	1,570
Mar	985	-7	987	980	28,050	398
May	999	-7	1000	995	6,834	194
Jul	1014	-6	-	-	2,477	-
Total					113,392	4,915

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1276	-5	1290	1282	16,216	2,948
Sep	1309	-7	1315	1295	27,450	2,683
Dec	1348	-4	1348	1335	16,347	386
Mar	1375	-5	1381	1372	6,309	14
May	1395	-4	1400	1396	5,933	11
Jul	1416	-4	-	-	2,869	1
Total					79,889	6,269

■ COCOA (ICCO) (SDR's/tonne)

Jun 12	Price	Prev. day
Daily	902.12	908.59

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2791	-39	2805	2785	13,281	1,263
Sep	2713	-12	2772	2720	14,829	1,148
Nov	2713	-12	2735	2715	2,892	527
Jan	2715	+2	2735	2730	742	52
Mar	2705	-	-	-	462	-
May	2693	+5	2695	2695	11	1
Total					32,357	2,991

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	146.45	-7.15	154.00	145.80	14,834	2,652
Sep	148.35	-7.45	155.60	147.70	13,218	1,507
Dec	151.45	-8.00	157.00	151.45	5,224	392
Mar	152.40	-6.00	158.25	152.00	2,469	110
May	153.65	-6.00	159.50	158.50	204	21
Jul	154.55	-6.00	160.50	159.50	57	8
Total					34,868	4,607

■ COFFEE (ICO) (US cents/pound)

Jun12	Price	Prev. day
Comp. daily	145.34	144.12
15 day average	148.70	147.47

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	13.89	-	-	-	2,350	-
Oct	13.59	-	-	-	[illegible]	-
Jan	13.26	-	-	-	[illegible]	-
Mar	13.10	-	-	-	[illegible]	-
Total					4,980	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	358.10	-1.70	362.5	356.5	12,078	595
Oct	304.10	+3.90	304.2	300.5	8,470	299
Dec	290.20	+3.10	290.0	288.0	1,900	69
Mar	290.10	+2.80	290.0	282.5	2,641	286
May	288.00	+4.00	288.4	287.5	430	36
Aug	291.70	+3.40	289.5	289.5	198	1
Total					24,866	1,437

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.48	-0.03	11.70	11.35	37,518	8,303
Oct	10.22	-0.01	10.25	10.11	43,058	4,232
Mar	10.01	+0.06	10.02	9.88	23,789	1,423
May	10.06	+0.06	10.07	9.93	7,295	115
Jul	10.04	+0.04	10.04	9.96	6,732	18
Oct	9.83	+0.02	9.86	9.78	2,744	93
Total					124,518	14,238

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	111.70	+1.65	112.50	110.10	12,888	2,108
Oct	87.23	+2.09	87.80	85.90	9,740	1,225
Dec	80.07	+1.46	80.85	78.44	30,139	5,731
Mar	81.23	+1.60	82.05	80.50	10,537	708
May	81.50	+1.58	81.60	81.30	3,823	112
Jul	81.72	+1.22	81.50	81.50	1,859	36
Total					69,576	9,929

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	101.45	+0.85	102.00	100.05	10,981	1,484
Sep	104.80	-0.20	105.20	104.20	11,153	1,478
Nov	105.35	-	105.80	104.90	2,093	118
Jan	107.40	+0.15	107.75	106.75	2,696	105
Mar	109.70	+0.20	109.70	109.50	839	-
May	112.70	+0.20	112.70	112.50	429	-
Total					28,181	3,183

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 13	Jun 12	month ago	year ago
2289.1	2292.6	2326.0	2030.4

■ CRB Futures (Base: 1967=100)

Jun 12	Jun 9	month ago	year ago
232.79	233.54	230.69	N/A

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,850-2,975 (2,800-2,950). Bismuth: min. 99.99%, tonne lots 3.10-3.40 (3.10-3.35). Cadmium: min. 99.5%, 100-105 cents a pound. Cobalt: MB free market, 99.8%, 28.20-28.70 (28.40-28.90); 99.3%, 26.20-26.80 (26.40-27.20). Mercury: min. 99.99%, $ per 76 lb flask, 145-155. Molybdenum: drummed molybdic oxide, 6.50-7.15. Selenium: min 99.5%, 3.40-4.20. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 62-72 (60-72). Vanadium: min. 98%, cif, 2.75-3.00 (3.00-3.45). Uranium: Nuexco exchange value, 7.65.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	63.675	-1.175	65.000	63.450	8,345	2,489
Aug	61.725	-0.975	63.000	61.700	25,901	6,867
Oct	62.400	-1.075	63.575	62.350	13,745	1,057
Dec	63.775	-0.400	64.400	63.725	5,493	505
Feb	64.350	-0.350	64.800	64.275	3,704	206
Apr	65.100	-0.325	65.550	65.100	1,920	35
Total					69,218	11,357

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	44.775	-0.125	45.050	44.700	2,043	879
Jul	44.825	-0.100	45.000	44.500	7,556	2,768
Aug	41.700	-0.025	41.950	41.600	6,517	1,601
Oct	42.750	-0.075	42.900	42.550	5,287	444
Dec	43.475	-0.050	43.700	43.450	2,462	245
Feb	43.050	-0.050	43.050	43.000	976	27
Total					25,888	6,004

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	39.300	-0.050	39.050	37.650	4,165	1,591
Aug	37.225	-0.025	37.600	36.500	3,227	639
Feb	48.400	-1.850	50.600	48.250	280	52
Mar	47.625	-1.975	48.500	47.600	35	1
May	50.700	-	-	49.100	7	1
Jul	52.400	-	-	-	13	1
Total					7,936	2,293

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1700	118	148	64	90
1750	70	103	114	151
1800	39	69	181	214
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2800	119	105	55	119
2900	69	67	103	178
3000	35	-	168	-
■ COFFEE LCE	Jul	Sep	Jul	Sep
2650	60	183	69	270
2800	40	165	99	303
2850	26	150	135	337
■ COCOA LCE	Sep	Dec	Sep	Dec
900	60	95	25	38
925	46	80	36	48
950	34	67	49	58
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1750	-	-	48	78
1800	-	-	-	111
1850	-	-	19	150

LONDON SPOT MARKETS

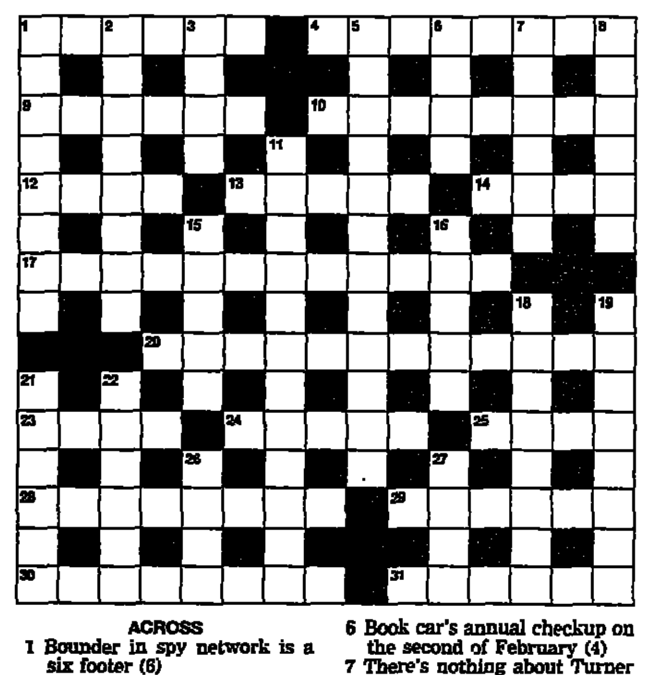
■ CRUDE OIL FOB (per barrel/Aug)		+or-
Dubai	$16.62-6.72q	+0.09
Brent Blend (dated)	$17.77-7.80	-0.22
Brent Blend (Aug)	$17.47-7.49q	-0.04
W.T.I. (1pm est)	$18.71-8.73q	-0.02
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$200-202	
Gas Oil	$154-156	+1.5
Heavy Fuel Oil	$93-95	-0.5
Naphtha	$165-167	-1
Jet fuel	$168-169	+2
Diesel	$157-158	
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$387.40	-0.15
Silver (per troy oz)♣	540.5c	
Platinum (per troy oz.)	$439.5	+0.5
Palladium (per troy oz.)	$169.5	+0.5
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.09m	+0.34
Tin (New York)	325.5c	
Cattle (live weight)†	126.10p	+2.04*
Sheep (live weight)†♠	113.15p	-3.39*
Pigs (live weight)†	96.13p	-0.21*
Lon. day sugar (raw)	$348.6	-5.1
Lon. day sugar (wte)	$407.0	-4.3
Tate & Lyle export	£322.0	-4.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£149.5	
Wheat (US Dark North)	Unq.	
Rubber (Jul)♥	101.50p	-0.25
Rubber (Aug)♥	101.50p	-0.25
Rubber (KL RSS No1)	371.5m	-2.0
Coconut Oil (Phil)§	$672.5y	+7.5
Palm Oil (Malay.)§	$547.5	
Copra (Phil)§	429.0u	+9.0
Soyabeans (US)	160.0	-1.0
Cotton Outlook'A' index	108.40	-1.10
Wooltops (64s Super)	518p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (live weight prices) * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,787 Set by ARMONIE



ACROSS
1 Bounder in spy network is a six footer (6)
4 Fuel containers found in sinks (8)
9 Copper probes missing person with large appetite (6)
10 Fill piece of bread with meat for informal party (8)
12 A service return that's out of reach (4)
13 Quietly arrange a practical joke (5)
14 Elegant young woman rudely cut short (4)
17 Amiable chap's usually found in bed (5,7)
20 Will he get his hands dirty maintaining a keyboard? (6,6)
23 Live wire (4)
24 Pair of Frenchmen forage round camp (5)
25 Colours fade (4)
28 Denied increases to subsidy (8)
29 Called for sickly young delinquent (6)
30 Piece of music – "Cornet tune" composed when heart was lost (8)
31 Laymen treated uncharitably (6)

DOWN
1 Break down everything that's sprung up in the wood (8)
2 It's a bloomer to ride north in the morning (8)
3 A bit of haberdashery (4)
5 Reactionary serviceman, "Monocle Bill", relaxed quietly (7,5)
6 Book car's annual checkup on the second of February (4)
7 There's nothing about Turner to evoke hate (6)
8 The smell of last Christmas's fish (6)
11 Tunic a tailor prepared for delivery (12)
15 Tie up paintings without a second thought (5)
16 Dangerous gas creates fuss among sailors (5)
18 Sketch, half complete, revealed outline (8)
19 Pilot's strict inherently and without warmth (8)
21 Put a mark on a bottle (6)
22 An enthusiast in a raincoat (a new one) (6)
26 Would-be fratricide put a touch of strychnine in Perrier (4)
27 The food's not bad, we hear (4)

Solution 8,786

G	L	A	S	S	B	L	O	W	E	R		C	O	B
A		M		O		E		H		E		A		U
R	E	P	E	L		G	R	A	N	D	S	L	A	M
R		U		V		S		C		C		L		P
I	N	T	H	E	P	I	N	K		A	M	U	S	E
S		A				D		E		R		P		R
O	U	T	L	I	N	E		D	U	P	E			
N		E		M						E		F		L
			S	P	U	R		P	A	T	E	L	L	A
S		S		E		E		I				A		V
L	A	T	I	N		C	O	M	M	I	T	T	E	E
A		O		D		E		E		S		F		N
C	O	N	D	I	T	I	O	N		S	H	I	E	D
K		E		N		P		T		U		S		E
S	O	D		G	E	T	T	O	G	E	T	H	E	R

INTERNATIONAL CAPITAL MARKETS

Treasuries jump on subdued retail sales

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices jumped in early trading yesterday after figures from the Commerce Department showed that the widely expected rebound in *retail sales failed to take place* in May.

By midday, the benchmark 30-year Treasury was up 1 19/32 at 113 7/32 to yield 6.592 per cent. At the short end of the maturity spectrum, the two-year note was yielding 5.680 per cent, and the yields on the three-year and five-year notes had fallen below 6 per cent.

Retail sales increased by 0.2 per cent in May, or by just 0.1 per cent without the volatile motor vehicle component. Economists had expected the rise to be closer to 0.6 per cent, reversing April's 0.3 per cent decline.

The retail sales figures were closely watched because many economists were counting on a rebound from consumers to put some life back into the slowing economy.

Weakness in the figures renewed speculation that the Federal Reserve would lower interest rates from the current target rate of 6 per cent some *time this summer*.

Growing speculation that the Fed might ease monetary policy caused the short end of the market to outperform the long end as investors sought to lock in higher yields.

A strong performance by the two-year notes led the yield curve, that maps the difference between two-year and 30-year bonds, to steepen sharply. By midday, the curve had steepened to 91 basis points from 77 basis points late on Monday.

Adding fuel to the speculation that the Fed might ease was weakness in consumer price figures also released yesterday.

The Consumer Price Index rose 0.3 per cent in May as most economists had expected, but the core index – which excludes the food and energy components – was up 0.2 per cent, not the *0.3 per cent most* had forecast.

■ European government bond *markets climbed sharply* higher in the wake of the strong rally in US Treasuries, reversing recent heavy losses.

GOVERNMENT BONDS

However, the gains were mostly futures-led, with traders reporting little activity in the cash market and with few domestic reasons for the rise. This led many dealers to predict that the rally would be short-lived.

■ UK gilts were one of the strongest performers, with the long gilt future on Liffe ahead by more than 1 point at 106⅝ *in late trading. The yield on* the 10-year benchmark bond declined to 7.99 per cent.

Gilts now face a barrage of *economic data, however,* including labour market statistics today and retail sales and retail price inflation numbers tomorrow, which could test the resolve of the market.

Any signs of a stronger than expected pick-up in activity or prices could be negative for gilts.

The consensus forecast for key average earnings figures due today is for a 3.75 per cent rise in the year to April, up from 3.5 per cent in March.

Traders will also be focusing on the annual Mansion House speech tonight in London of Mr Kenneth Clarke, the chancellor of the exchequer, in which he is expected to outline the government's inflation target after the next election.

■ German government bonds rose sharply after the US rally *bolstered hopes that the Bundesbank* might move soon to lower German official interest rates.

The *consensus is that the* Bundesbank will not cut rates at today's council meeting, but speculation remains that the central bank might relax monetary policy before its summer recess.

The September bund futures contract on Liffe closed at 94.26, up 0.77, with the 10-year benchmark bund yield falling to 6.7 per cent.

However, bunds underper*formed other markets amid* uncertainty ahead of today's council meeting.

■ Italian government bonds also underperformed other markets, hindered by fears that current political uncertainty would delay plans for *fiscal* reform.

The Italian September futures contract on Liffe was up 0.86 at 99.11 in late trading.

World Bank to become more active in swaps

By Richard Lapper

The World Bank is to become a more active player in the swaps market following a decision last month to allow its borrowers more flexibility.

The decision, announced on May 31, allows borrowers – in most cases – to receive half their annual requirements in *single currency loans, and is* expected to lead to a big increase in demand for dollars by the World Bank, whose funding programme this year amounts to more than $10bn.

Mr Richard Frank, one of three managing directors, said last week he expected the *bank would have to fund up to* 80 per cent of the programme in dollars as a result of the change and would be likely to meet some of its needs by exploiting opportunities in the swaps markets.

Hitherto, the bank has borrowed dollars, D-Marks and yen in roughly equal proportions and has offered loans effectively denominated in a basket of currencies.

Mr Frank said the bank would become a more "opportunistic" borrower, making different demands on the houses with which it deals. It would raise funds in a variety of currencies, with the timing and currency of issues reflecting opportunities in the swap market. It would ask houses acting on its behalf to provide a package of the initial borrowing and the swap.

Under the changes, borrowers will be offered three choices: floating-rate single currency loans, fixed-rate single currency loans; and currency pool loans with a variable lending rate. Member countries will be eligible for single currency loans of the greater of half its planned annual lending programme or the equivalent of $100m.

Liffe to introduce basis trading on German bunds

By Richard Lapper

Senior managers at the London International Financial Futures and Options Exchange believe a new facility could be as significant an innovation as the introduction of non-sterling products in 1988.

The "basis trading facility", to be introduced at the end of this month, will allow dealers to trade more effectively the difference in price between a bond futures contract and one or more of the physical bonds on which it is based.

DERIVATIVE INSTRUMENTS

Liffe is launching the facility, on a trial basis, on German 10-year bunds, but may extend the plan to incorporate other contracts, in particular the long gilt future and Italian government bond future contracts.

The facility could strengthen links between the futures and cash markets at a time of increasing competition between international exchanges, lending strategic significance to the move.

Liffe faces continuing competitive pressure from the Deutsche Terminbörse, the Frankfurt-based futures exchange, which also lists the bund contract, and from France's Matif.

"This is a mechanism to bring the cash and futures market closer together," said Mr Philip Bruce, director, strategic business development at Liffe. "If we are successful we will not only increase liquidity in our contracts but also in the secondary cash market."

Dealers use basis trades to take advantage of minute, and sometimes short-lived, differences in price between the physical bond issues on which a futures contract is based.

A group of bonds of roughly similar maturity are deliverable against the futures contract when this expires. Although these "deliverable bonds" carry the same credit risk, they trade at different prices for a variety of reasons, including, for example, maturity, coupon and liquidity.

However, because changes in the price differences can be small, deals generally need to be large. Like the "exchange for physicals" facilities which are a long-established feature of commodities futures and some other international exchanges, the basis trade facility should allow traders to complete such trades more effectively, eliminating the need to buy futures through a number of small pit-traded deals and ensuring that all futures deals, whether bought or sold, are contracted at the same price.

"It takes away unnecessary risk linked to the futures part of the transaction," said Mr Bruce. "The facility is intended to recognise that a user needs greater price certainty to exercise these basis trades."

Basis trades will be organised away from the trading floor, but Mr Bruce stressed that they will be carried out in tightly controlled and auditable conditions and according to Liffe rules.

The futures contract will be executed at a single price in line with contracts created in the trading pit, at a special post on the Liffe floor, manned by an exchange official, rather than in the trading pit.

Liffe aims to monitor and verify the integrity of basis trades (ensuring that the purchase or sale of the cash bond takes place as intended) through an arrangement with the International Securities Markets Association, the bond traders association.

Tennessee Valley increases global issue to $2bn

By Antonia Sharpe and Richard Lapper

The Tennessee Valley Authority, the US government-owned power utility, provided yesterday's highlight when it lifted its global bond to $2bn from $1.5bn, making it the biggest fixed-rate dollar-denominated bond for nearly a year.

INTERNATIONAL BONDS

The issue will be priced today at between 30 and 33 basis points over the equivalent US Treasury.

Syndicate managers at Lehman Brothers, which is leading the deal, said they expect more than 50 per cent of demand for the paper to come from outside the US. They said the authority's rarity value as an issuer had attracted investors.

This is the first time the TVA has raised money on the international bond market. *Previously, it typically issued* callable bonds in the US domestic market, often favouring maturities of between 30 and 50 years.

Yesterday also saw a clutch of Australian dollar deals, while Independent Newspapers duly brought its £75m 10-year eurobond offering. At a spread of 125 basis points over UK government bonds, the Independent issue was well above *the original spread range of 90* to 105 basis points over gilts.

Lead manager Bankers Trust said the wider spread reflected volatility in the gilts market. The price of the bonds narrowed to as low as 120 basis points over when they were freed to trade, it added.

Bankers Trust is the sole underwriter of the deal, but has set up a selling group which includes UBS, Hoare Govett and possibly some other houses.

Looking ahead, Belgium may have to pay a higher interest rate than expected on its planned eurodollar offering because of the continued pressure on eurodollar prices in the secondary market.

Price talk earlier in the week on a 10-year maturity, Belgium's preferred tenor, was about 37 basis points over US Treasuries, while on a five-year issue, which the market would opt for, it was about 24 basis points over Treasuries. Syndicate managers now say pricing would have to widen by at least a couple of basis points.

The offering, which could raise between $500m and $1bn, is expected in the next 10 days.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Tennessee Valley Authority	2bn	(a)#	(a)R	Jun.2005	0.325R	(a)(6½%-05)	Lehman Brothers Intl.
STERLING							
Independent Newspapers Fin.	75	9.25	98.46R	Jun.2005	1.50R	+125(8½%-05)	Bankers Trust International
D-MARKS							
BHF Finance(Neths.)	200	7.125	102.00	Jul.2005	2.50	-	BHF Bank
SWISS FRANCS							
GECC	150	5.00	102.80	Jul.2005	2.75	-	Merrill Lynch Capital Mkts.
DSL Finance	150	4.625	102.70	Jul.2000	2.00	-	von Ernst/Swiss Bank Corp.
Tauernkraftwerke★	130	4.50	102.125	Aug.1998	1.25	-	Bank von Ernst/ UBS
LW Rentenbank	100	4.75	102.85	Aug.2003	2.625	-	Banca del Gottardo
AUSTRALIAN DOLLARS							
British Gas Intl.Finance★	200	4.50#	92.275	Jun.1998	1.375	-	Nomura International
KfW International Finance	100	9.125	101.575	Jul.2005	2.125	-	Barclays de Zoete Wedd
New Sth.Wales Treasury Corp.	100	9.00	100.59	Jul.2005	2.125	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today at 30-33bp over T's. Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	90.4300	-0.050	8.96	8.61	9.46
Austria		7.000	05/05	99.2700	+0.620	7.10	6.88	7.28
Belgium		6.500	03/05	94.1500	+0.660	7.35	7.15	7.80
Canada *		8.750	12/05	105.6000	+0.150	7.95	7.88	8.40
Denmark		7.000	12/04	91.8400	+0.880	8.26	7.97	8.59
France	BTAN	7.750	04/00	103.0000	+0.190	7.08	6.78	7.25
	OAT	7.500	04/05	100.4900	+0.780	7.42	7.27	7.74
Germany Bund		6.875	05/05	101.2000	+0.900	6.70	6.49	6.98
Ireland		6.250	10/04	86.2000	+0.700	8.44	8.19	8.76
Italy		9.500	01/05	85.5000	+0.610	12.10†	11.70	12.39
Japan	No 129	6.400	03/00	118.7960	+0.180	2.06	2.03	2.61
	No 174	4.600	09/04	112.6240	+0.200	2.89	2.77	3.40
Netherlands		7.000	06/05	101.1200	+0.660	6.84	6.62	7.04
Portugal		11.875	02/05	99.1000	-0.350	12.01	11.79	12.27
Spain		10.000	02/05	91.4600	+1.380	11.47	11.10	11.78
Sweden		6.000	02/05	73.6410	+0.860	10.46	10.21	11.09
UK Gilts		6.000	08/99	94-06	+20/32	7.57	7.33	8.13
		8.500	12/05	103-17	+31/32	7.99	7.69	8.27
		9.000	10/08	107-23	+34/32	8.04	7.75	8.29
US Treasury *		6.500	05/05	102-10	+46/32	6.18	6.07	6.86
		7.625	02/25	113-07	+53/32	6.60	6.50	7.17
ECU (French Govt)		6.000	04/04	89.0600	+0.660	7.75	7.56	8.08

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.44	Two year	5.68
Prime rate	9	Two month	5.65	Three year	5.76
Broker loan rate	6½	Three month	5.64	Five year	5.91
Fed.funds	6	Six month	5.67	10-year	6.18
Fed.funds at intervention	-	One year	5.82	30-year	6.60

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.40	115.86	+0.74	115.96	115.36	146,096	50,572
Sep	115.00	115.48	+0.74	115.56	115.00	42,278	108,752
Dec	114.84	115.28	+0.74	115.10	114.84	190	2,364

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Sep	PUTS Dec
114	1.59	2.19	2.55	0.16	0.74	1.31
115	0.89	1.61	1.98	0.43	1.10	1.70
116	0.39	1.07	1.48	-	1.59	2.17
117	0.15	0.67	-	-	-	-
118	0.04	0.41	-	-	-	-

Est. vol. total, Calls 30,664 Puts 13,904 . Previous day's open int., Calls 157,347 Puts 133,513.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.82	94.26	+0.77	94.44	93.75	164741	175861
Dec	93.36	93.75	+0.75	93.82	93.36	702	5379

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9400	0.54	0.93	1.13	1.25	0.28	0.67	0.87	1.50
9450	0.29	0.68	0.88	1.04	0.53	0.92	1.12	1.79
9500	0.13	0.48	0.67	0.84	0.87	1.22	1.41	2.09

Est. vol. total, Calls 24411 Puts 11304. Previous day's open int., Calls 182701 Puts 134534

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.30	98.77	+0.52	99.18	97.70	37672	40384
Dec		98.37	+0.52			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
9850	2.10	2.79	1.83	2.92
9900	1.83	2.55	2.06	3.18
9950	1.59	2.34	2.32	3.47

Est. vol. total, Calls 1480 Puts 534. Previous day's open int., Calls 29637 Puts 18185

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.11	86.18	+1.29	86.37	84.87	68,602	24,837
Sep	84.82	86.15	+1.32	86.20	84.76	4,601	11,236

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-12	107-03	+1-02	107-03	106-12	1196	16143
Sep	105-25	106-19	+1-02	106-25	105-23	58956	101751

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
106	1-03	1-41	1-62	2-26	0-29	1-03	1-24	2-20
107	0-32	1-07	1-28	1-60	0-58	1-33	1-54	2-54
108	0-13	0-46	1-01	1-35	1-39	2-08	2-27	3-29

Est. vol. total, Calls 5865 Puts 3221. Previous day's open int., Calls 38367 Puts 37641

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.70	86.20	+0.70	86.20	85.70	3,938	7,187
Sep	85.48	85.98	+0.68	85.98	85.48	1,485	3,167

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	112-24	113-28	+1-06	113-29	112-24	15,943	83,802
Sep	112-13	113-18	+1-07	113-18	112-09	294,570	338,250
Dec	112-02	113-02	+1-04	113-02	112-02	571	18,212

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	119.32			119.40	119.23	3152	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jun 13	Day's change %	Mon Jun 12	Accrued interest	xd adj. ytd		Low coupon yield Jun 13	Jun 12	Yr. ago	Medium coupon yield Jun 13	Jun 12	Yr. ago	High coupon yield Jun 13	Jun 12	Yr. ago
1 Up to 5 years (23)	121.64	+0.33	121.25	2.10	4.76	5 yrs	7.79	7.93	8.29	7.79	7.92	8.48	7.84	7.97	8.59
2 5-15 years (21)	144.61	+0.72	143.57	1.55	6.24	15 yrs	8.04	8.14	8.49	8.05	8.16	8.64	8.16	8.28	8.93
3 Over 15 years (9)	163.22	+1.04	161.54	2.18	6.08	20 yrs	8.04	8.14	8.46	8.08	8.17	8.64	8.13	8.24	8.78
4 Irredeemables (6)	186.30	+1.31	183.89	1.50	6.36	Irred.†	8.09	8.20	8.56						
5 All stocks (59)	141.09	+0.66	140.17	1.88	5.72										

Index-linked							Inflation 5% Jun 13	Jun 12	Yr. ago	Inflation 10% Jun 13	Jun 12	Yr. ago
6 Up to 5 years (2)	195.45	+0.16	195.14	1.02	2.57	Up to 5 yrs	3.29	3.38	3.75	1.81	1.89	2.81
7 Over 5 years (11)	184.99	+0.49	184.08	0.59	2.20	Over 5 yrs	3.63	3.66	3.83	3.44	3.48	3.66
8 All stocks (13)	185.18	+0.46	184.33	0.89	2.22							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 13	Jun 12	Jun 9	Jun 8	Jun 7	Yr ago	High*	Low*
Govt. Secs. (UK)	93.79	93.18	93.45	94.38	95.00	91.95	95.51	90.22
Fixed Interest	112.55	112.62	113.34	114.13	114.66	108.62	114.66	108.77

GILT EDGED ACTIVITY INDICES

	Jun 12	Jun 9	Jun 8	Jun 7	Jun 6
Gilt Edged bargains	77.7	87.7	94.0	82.2	90.7
5-day average	86.4	101.5	101.4	100.4	105.8

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅜	99½	+½	6.05
Abbey Natl Treasury 6½ 03	1000	98¼	98½	+1⅛	6.79
African Dev Bk 7⅜ 23	500	99⅞	100¼	+1¼	7.38
Alberta Province 7⅝ 98	1000	104	104¼	+⅝	6.26
Austria 8½ 00	400	108⅝	108⅞	+¾	6.27
Baden-Wuertt L-Fin 8⅛ 00	1000	106⅞	107⅛	+⅞	6.36
Bank Ned Gemeenten 7 98	1000	103⅛	103⅞	+¾	6.12
Bayer Vereinsbk 8⅛ 00	500	107	107¼	+1	6.32
Belgium 5½ 03	1000	92⅛	92⅜	+⅞	6.75
BFCE 7¼ 97	150	102⅝	103	+⅜	6.08
British Columbia 7¾ 02	500	106¼	106⅝	+⅞	6.61
British Gas 0 21	1500	13⅞	14⅛	+¼	7.77
Canada 6½ 97	2000	100⅞	101	+½	6.03
Cheung Kong Fin 5½ 98	500	94⅛	94¾	+½	7.58
China 6½ 04	1000	94	94⅞	+1	7.59
Council Europe 8 98	100	102⅛	102¼	+¼	6.00
Credit Foncier 9½ 99	300	110⅜	110½	+⅝	6.32
Denmark 5¾ 98	1000	99¼	99½	+½	6.05
East Japan Railway 6⅝ 04	600	99⅝	99⅞	+1⅜	6.68
ECSC 8¼ 96	193	102⅞	103⅛	+¼	6.10
EEC 8¼ 96	100	102⅛	102¼	+¼	6.03
EIB 7¾ 98	250	101¾	102⅛	+⅛	6.00
EIB 9¼ 97	1000	106¾	107	+⅜	6.14
Elec de France 9 98	200	106¾	107¼	+½	6.23
Ex-Im Bank Japan 8 02	500	108⅛	108½	+⅞	6.51
Export Dev Corp 9½ 98	150	108⅞	109⅛	+⅝	6.24
Federal Natl Mort 7.40 04	1500	105⅞	106	+1⅛	6.64
Finland 6¾ 97	3000	101½	101¾	+½	6.17
Ford Motor Credit 6¼ 98	1500	100	100¼	+⅝	6.34
Gen Elec Capital 9⅜ 96	300	103	103¼	+⅛	6.14
Ind Bk Japan Fin 7⅞ 97	200	102¼	102¾	+¼	6.52
Inter Amer Dev 7⅝ 98	200	101¾	102	+¼	6.06
Intl Finance 5¼ 99	500	97½	97¾	+⅝	6.04
Italy 6⅞ 23	3500	89	89½	+⅞	8.00
Japan Dev Bk 8⅜ 01	500	109	109¼	+1	6.42
Korea Elec Power 6⅜ 03	1350	96⅛	96¾	+1⅛	7.11
LTCB Fin 8 97	200	102⅛	102½	+¼	6.51
Matsushita Elec 7¼ 02	1000	103⅞	104¼	+⅞	6.57
Norway 7¼ 97	1000	102⅛	102⅜	+⅜	5.98
Ontario 7⅜ 03	3000	103⅝	103⅞	+1	6.87
Oster Kontrollbank 8½ 01	200	109⅞	110¼	+⅞	6.38
Portugal 5¾ 03	1000	94¼	94⅝	+1	6.77
Quebec Hydro 9¾ 98	150	109	109⅜	+½	6.60
Quebec Prov 9 98	200	106⅛	106½	+½	6.53
Sainsbury 9⅛ 96	150	103½	103¾	+¼	6.20
SAS 10 99	200	109⅝	110⅛	+¼	6.94
SNCF 9½ 98	150	109	109⅜	+½	6.21
Spain 6½ 99	1500	100⅝	100⅞	+¼	6.32
State Bk NSW 8½ 96	200	102¼	102½	+⅛	6.21
Sweden 6½ 03	2000	99⅛	99⅜	+⅞	6.75
Tokyo Elec Power 6⅛ 03	1000	96½	96¾	+1	6.69
Tokyo Metropolis 8¼ 96	200	102¾	103	+¼	6.10
Toyota Motor 5⅝ 98	1500	99⅛	99⅜	+⅝	5.97
United Kingdom 7¼ 02	3000	104½	104⅞	+⅞	6.46
World Bank 8⅜ 99	1500	108⅛	108⅜	+⅝	6.29
World Bank 8¾ 97	1500	104½	104¾	+¼	6.03
United Kingdom 7⅛ 97	5500	103⅞	104		5.33
Volkswagen Intl Fin 7 03	1000	99	99½	+¼	7.17
World Bank 0 15	2000	23⅝	23¾	-⅛	7.34
World Bank 5⅞ 03	3000	93¼	93⅜	-¼	6.95
World Bank 8¾ 00	1250	111⅝	112¾	-⅜	5.91
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	87¼	87¾	+¼	7.60
Credit Foncier 7¼ 03	2000	101	101¼	+⅜	7.07
Denmark 6⅛ 98	3000	101¾	102	+⅛	5.43
Depfa Finance 6⅛ 03	1500	95⅝	95⅞	+¼	7.08
Deutsche Bk Fin 7½ 03	2000	103	103⅝	+⅝	6.97
EEC 6½ 00	2900	101⅝	101⅞	+¼	6.09
EIB 6¼ 00	1500	100⅝	100⅞	+⅛	6.09
Finland 7½ 00	3000	104⅝	104⅞	+⅜	6.30
Italy 7¼ 98	5000	103½	103⅝	+⅛	5.77
LKB Baden-Wuertt 6½ 08	2250	93½	93⅝	+½	7.28
Norway 6⅛ 98	1500	101⅞	102⅛	+⅛	5.40
Ontario 6¼ 04	1500	93⅞	94	+⅜	7.22
Spain 7¼ 03	4000	101	101⅛		7.07
Sweden 8 97	2500	105½	105⅞		5.46
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	105½	106½		5.46
Austria 4½ 00	1000	101½	101⅝	-⅛	4.13
Council Europe 4¾ 98	250	101½	101¾	+⅛	4.14
Denmark 4¼ 99	1000	100¼	100¾	+¼	4.05
EIB 6¾ 04	300	109⅝	110½		6.40
Elec de France 7¼ 06	100	112	112½	-¼	5.70
Finland 7¼ 99	300	109¼	109¾		4.82
Hyundai Motor Fin 8½ 97	100	107	107½		5.10
Iceland 7⅞ 00	100	110¾	111½	-¼	5.18
Kobe 6⅜ 01	240	107	108		5.02
Ontario 6¼ 03	400	105½	106¼		5.35
Quebec Hydro 5 08	100	91½	92¼		5.97
SNCF 7 04	450	112¾	113¼	+½	5.23
World Bank 5 03	150	100½	101¼	-¼	4.92
World Bank 7 01	600	111	111½	+¼	4.75
YEN STRAIGHTS					
Belgium 5 99	75000	111⅞	112⅛	+⅛	2.20
EIB 6⅝ 00	100000	119¼	119½		2.30
Ex-Im Bank Japan 4⅜ 03	105000	110½	110¾		2.93
Inter Amer Dev 7¼ 00	30000	122⅜	122⅝	+¼	2.38
Italy 3½ 01	300000	102⅜	102½	+¼	3.09
Japan Dev Bk 5 99	100000	112	112⅛	+⅛	2.05
Japan Dev Bk 6½ 01	120000	121¾	121⅞		2.88
Nippon Tel Tel 5⅞ 98	50000	105¾	106		1.32
Norway 5⅜ 97	150000	106¾	106⅞		1.28
SNCF 6¾ 00	30000	119¾	120	+¼	2.28
Spain 5¼ 02	125000	117⅛	117⅜	+¼	2.93
Sweden 4⅝ 98	150000	107¾	108		1.60
World Bank 5¼ 02	250000	115⅜	115½		2.76
OTHER STRAIGHTS					
Finland 8 04 LFr	5000	101⅞	102⅝	+1⅛	7.70
Genfinance Lux 9⅛ 99 LFr	1000	105¼			7.48
IKB Deut Industbk 8½ 03 LFr	3000	104	105		7.77
ABN Amro 6⅝ 00 Fl	1000	102⅜	102⅝	+½	6.03
Bank Ned Gemeenten 7 03 Fl	1500	101⅝	102	+¾	6.72
Bell Canada 10⅝ 99 C$	150	108¾	109⅜	+¼	8.02
Canada Mtg & Hsg 8¼ 99 C$	1000	102½	102¾	+¼	7.69
EIB 10⅛ 98 C$	130	106¾	107⅛	+⅜	7.29
Elec de France 9¾ 99 C$	275	106⅞	107⅛	+⅜	7.76
Gen Elec Capital 10 96 C$	300	102½	103	+⅛	7.29
KfW Int Fin 10 01 C$	400	108½	109	+¼	8.07
Nippon Tel Tel 10¼ 99 C$	200	108½	109⅛	+¼	7.84
Ontario 8 03 C$	1500	98⅜	98½	+¼	8.45
Ontario Hydro 10⅞ 99 C$	500	109½	110	+¼	7.86
Oster Kontrollbank 10¼ 99 C$	150	108½	109⅛	+⅜	7.75
Quebec Hydro 7 04 C$	1000	89¾	90	+⅛	8.65
Quebec Prov 10½ 98 C$	200	107½	108	+⅜	7.91
Council Europe 9 01 Ecu	1100	108⅜	108⅝	+⅜	7.69
Credit Foncier 8⅜ 04 Ecu	1000	101⅞	102¼	+¼	8.06
Denmark 8½ 02 Ecu	1000	104¼	104½	+¼	7.67
EC 6 00 Ecu	1000	94	94¼	+¼	7.38
EIB 10 97 Ecu	1125	105¼	105½	+⅛	6.53
Ferro del Stat 10⅛ 98 Ecu	500	108⅛	108½	+¼	7.38
Italy 10¾ 00 Ecu	1000	110⅞	111¼	+⅜	7.95
United Kingdom 9⅛ 01 Ecu	2750	107⅛	107¼	+¼	7.52
AIDC 10 99 A$	100	104⅝	105	+¼	8.59
Comm Bk Australia 13¾ 99 A$	100	117⅝	118	+⅝	8.61
EIB 7¾ 99 A$	350	99¾	100¼	+⅞	7.98
NSW Treasury Zero 0 20 A$	1000	10¾	11¾	+⅛	9.16
R & I Bank 7¾ 03 A$	125	91	91½	+⅛	9.40
State Bk NSW 9 02 A$	300	99¾	100¼	+⅜	9.03
Sth Aust Govt Fin 9 02 A$	150	98¾	99¼	+⅜	9.23
Unilever Australia 12 98 A$	150	108⅝	109	+⅜	8.41
Western Aust Treas 7⅜ 98 A$	100	98¼	98¾	+½	8.31
Abbey Natl Treasury 8 03 £	1000	98⅝	98¾	+¼	8.60
Alliance Leics 11⅜ 97 £	100	108⅛	108⅜	+⅛	7.77
British Land 8⅞ 23 £	150	92⅞	93¼	+1¼	9.84
Denmark 6¾ 98 £	800	97	97¼	+⅜	7.83
EIB 8 03 £	1000	98⅛	98¼	+⅞	8.33
Halifax 10⅜ 97 £	100	104¼	104⅝	+⅛	7.60
Hanson 10⅜ 97 £	500	104⅞	105¼	+¼	7.98
HSBC Holdings 11.69 02 £	153	113⅝	114	+⅜	9.01
Italy 10½ 14 £	400	108½	108⅞	+1⅛	9.51
Japan Dev Bk 7 00 £	200	95½	95¾	+½	8.05
Land Secs 9½ 07 £	200	104¼	104⅝	+1⅛	8.90
Ontario 11⅛ 01 £	100	111½	111⅞	+½	8.48
Powergen 8⅞ 03 £	250	101⅝	101⅞	+⅞	8.57
Severn Trent 11½ 99 £	150	111	111¼	+½	8.21
Tokyo Elec Power 11 01 £	150	112	112⅜	+⅝	8.37
Abbey National 0 98 NZ$	100				
TCNZ Fin 9¼ 02 NZ$	75				
Credit Local 6 01 FFr	7000	93	93¼		7.40
Elec de France 8¾ 22 FFr	3000	105⅜	106⅛	+⅛	8.21
SNCF 9¼ 97 FFr	4000	104	104⅜		6.89

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.72	99.81	5.8750
Bankamerica ⅛ 99	750	99.59	99.69	6.1875
Belgium 1/16 97 DM	500	100.12	100.25	5.3750
BFCE -0.02 98	350	99.96	100.05	6.0425
Canada -⅛ 99	2000	99.37	99.45	5.9375
CCCE 0 06 Ecu	200	99.36	99.44	6.1562
Credit Lyonnais 1/16 00	300	97.35	97.77	6.6875
Denmark -⅛ 98	1000	99.89	99.98	6.1875
Dresdner Finance 1/32 98 DM	1000	99.99	100.08	4.6328
Ferro del Stat 0.10 97	420	99.91	100.07	6.1250
Finland 0 97	1000	100.16	100.23	6.7500
IMI Bank Intl ¼ 99	500	100.00	100.10	6.3125
Italy ¼ 98	2000	100.11	100.21	6.5000
LKB Baden-Wuert Fin -⅛ 98	1000	99.91	99.98	5.2500
Lloyds Bank Perp S 0.10	600	83.06	84.06	6.5375
Malaysia 1/16 05	650	99.49	99.71	6.5000
New Zealand -⅛ 99	1000	99.87	99.94	6.1875
Nova Scotia 1/16 99	500	99.82	99.92	6.3750
Ontario 0 99	2000	99.55	99.64	6.1250
Renfe 0 98	500	99.80	99.78	6.0625
Societe Generale 0 98	300	99.85	99.98	6.3125
Staatsbank Berlin -0.05 98 DM	6000	99.99	100.05	4.6467
State Bk Victoria 0.05 99	125	100.03	100.19	6.9875
Sweden 0 98	1500	100.02	100.10	6.0625
Sweden -⅛ 01	2000	99.17	99.29	6.0625
United Kingdom -⅛ 96	4000	99.94	99.97	6.0000

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	62½	99⅛	100⅛	+43.58
Chubb Capital 6 98	250	88	103⅛	104⅛	+7.88
Gold Kalgoorlie 7½ 00	65	1.0554	103⅝	104⅝	+80.83
Hanson 9½ 06 £	500	2.48	102¼	103	+10.98
Hanson America 2.39 01	420	29.6375	79⅜	80⅝	+28.79
Hong Kong Land 4 01	410	31.05	81⅞	82⅝	-18.01
Land Secs 6¾ 02 £	84	6.72	98⅜	98¾	+5.31
Lasmo 7¾ 05 £	90	5.64	87⅛	88½	-
Mitsui Bank 2⅝ 03	200	2332.6	78⅜	78¾	+26.47
Mount Isa Fin 6½ 97	100	2.283	98⅝	99⅝	+77.06
Natl Power 6¼ 08 £	250	4.93	109½	110½	-1.63
Ogden 6 02	85	39.077	89⅞	90⅞	+61.47
Pennzoil 4¾ 03	500	56.8097	97⅝	98¼	+16.07
Sumitomo Bank 3⅛ 04	300	3606.9	83⅛	84⅛	+17.54
Sun Alliance 7¼ 08 £	155	3.9	97¼	98¼	+12.13
Tesco Capital 9 05 £	200	2.51	124¼	125¼	+5.07
Texas Instruments 2¾ 02	300	82⅞	140½	142½	-1.32

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar shrugs off weak US economic figures

The buoyant tone of US asset markets yesterday helped the dollar finish firmer despite the increased possibility of lower interest rates in the US, *writes Philip Gawith.*

Weaker than expected May retail sales figures, and good consumer inflation numbers, prompted asset prices to rally and also helped the dollar break above Y84 and DM1.40, after languishing below these levels for most of the day. It finished in London at DM1.4044 and Y84.16.

The rally in the bond market extended across the yield curve, with interest rate futures all moving sharply higher. With the prospect of lower interest rates again on the cards, the December eurodollar contract rallied by 31 basis points, to finish at 94.39.

The D-Mark's failure to breach the DM1.3950 level limited its gains in Europe where there was little change on most of the cross-rates. The D-Mark finished at FFr3.521 against the French franc from FFr3.517. The repo rate remained unchanged at 4.5 per cent, and there is little City expectation of any shift in official interest rates when the Bundesbank council meets today.

Sterling had an uneventful day, finishing at DM2.2394, from DM2.2396. Against the dollar it closed at $1.5946 from $1.5965. The trade weighted index was unchanged at 84.3.

■ Before the release of the CPI and retail sales figures, markets had little to focus on, contenting themselves instead with conspiracy theories about the G7 summit. One view is that the authorities have gone so far out of their way to downplay expectations as to raise alarm bells that perhaps they "doth protest too much".

Although the majority tendency is to believe that the summit will live down to the market's lowest expectations – that is, will offer nothing decisive on the currency front – the occasional straw in the breeze has left traders nervous.

Mr Paul Martin, the Canadian finance minister, for example, told reporters that he "would not be surprised" if currencies were discussed in Halifax. There are also some who see in the statement, made by the G7 finance ministers and central bankers in April, the seeds of further co-operation.

The key words then were "that recent movements have gone beyond the levels justified by underlying economic conditions....(and) that orderly reversal of those movements is desirable." The G7 nations "further agreed to strengthen their efforts in reducing internal and external imbalances and to continue to cooperate closely in exchange markets."

The recent round of intervention was clearly a case of turning words into deeds. It seems unlikely, however, that any further monetary policy co-operation will emerge from Halifax, if only because central bank governors will not be in attendance.

Once the US figures were released, traders had more to think about. Mr Mark Cliffe, international economist at HSBC Markets in London, said: "This certainly puts rate cuts by the Fed back on the agenda...This is more than a pause we are looking at."

It is far from obvious that a falling interest rate trend should help the dollar. The rally seen yesterday was as likely a function of the market covering short positions ahead of Halifax as anything else.

But as Mr Jonathan Griggs, economist at Barclays in London, notes: "Anybody who wants to sell dollars at this level has to look over his shoulder and think that interest rate cuts are more likely in Germany and Japan than the US.

■ WOnly one of the twenty economists polled by Reuters predicted a cut in official rates today, though a further 14 expect a cut in the coming months.

Most economists believe the Bundesbank will allow the repo rate to fall further before cutting the discount rate. Previously the repo was fixed at 4.85 per cent for around eight months, so there is scope for German rates to stay on hold for some while yet.

The futures market is discounting three month money at 4.40 per cent in December compared to 4.45 per cent at present.

■ The Bank of England provided £114m assistance at established rates, and £350m late assistance, after forecasting a £700m shortage. Three month LIBOR was unchanged at 6 9/16 per cent. The September short sterling contract finished 15 basis points higher at 93.11.

Euromark

Dec '95 Future contract, bid price

Source: FT Graphite

■ **Pound in New York**

Jun 13	Latest	Prev. close
£ spot	1.5960	1.5940
1 mth	1.5956	1.5936
3 mth	1.5940	1.5921
1 yr	1.5780	1.5773

■ **OTHER CURRENCIES**

Jun 13	£	$
Hungary	155.322 - 196.525	122.500 - 122.600
Iran	4784.70 - 4782.90	3000.00 - 3000.00
Kuwait	0.4761 - 0.4764	0.2986 - 0.2987
Poland	3.7242 - 3.7353	2.3360 - 2.3420
Russia	7626.61 - 7625.72	4782.00 - 4785.00
U.A.E.	5.8547 - 5.8577	3.6723 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Jun 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7466	-0.0017	397 - 535	15.7717	15.6703	15.7235	1.8	15.6763	1.8	-	-	107.4
Belgium	(BFr)	46.0266	+0.0296	958 - 575	46.0710	45.7690	45.9618	1.7	45.8316	1.7	45.2218	1.7	109.9
Denmark	(DKr)	8.7448	-0.0056	412 - 480	8.7580	8.7063	8.7482	-0.5	8.74	0.2	8.7091	0.4	110.3
Finland	(FM)	6.8686	-0.0037	608 - 724	6.8790	6.8310	-	-	-	-	-	-	87.4
France	(FFr)	7.8841	+0.0056	814 - 868	7.8898	7.8354	7.892	-1.2	7.9026	-0.9	7.8702	0.2	108.7
Germany	(DM)	2.2394	-0.0002	386 - 402	2.2434	2.2276	2.236	1.8	2.2276	2.1	2.1852	2.4	112.4
Greece	(Dr)	362.245	+1	097 - 393	362.883	359.625	-	-	-	-	-	-	68.6
Ireland	(I£)	0.9783	-0.0007	775 - 791	0.9795	0.9769	0.9779	0.5	0.9777	0.2	0.9779	0.0	97.5
Italy	(L)	2648.23	+5.31	654 - 993	2665.82	2644.08	2657.73	-4.3	2675.23	-4.1	2746.73	-3.7	66.7
Luxembourg	(LFr)	46.0266	+0.0296	958 - 575	46.0710	45.7690	45.9618	1.7	45.8316	1.7	45.2218	1.7	109.9
Netherlands	(Fl)	2.5063	+0.0018	054 - 072	2.5097	2.4921	2.5022	2.0	2.4985	1.2	2.4461	2.4	109.8
Norway	(NKr)	9.9687	-0.0059	628 - 745	9.9806	9.9752	9.96	1.0	9.9364	1.3	9.8091	1.6	99.2
Portugal	(Es)	235.634	-0.098	494 - 774	235.839	234.670	234.769	4.4	237.939	-3.9	-	-	95.9
Spain	(Pta)	194.398	-0.225	281 - 514	194.687	193.531	194.898	-3.1	195.973	-3.2	200.998	-3.4	81.2
Sweden	(SKr)	11.5578	-	482 - 673	11.5791	11.5239	11.5801	-0.2	11.5846	-0.2	11.5832	-0.2	78.2
Switzerland	(SFr)	1.8462	-0.0009	454 - 469	1.8490	1.8350	1.8413	3.2	1.8314	3.2	1.783	3.4	113.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.3
Ecu	-	1.2141	+0.0004	133 - 149	1.2150	1.2096	1.2142	0.0	1.2129	0.4	1.2057	0.7	-
SDR†	-	1.02098	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5945	-0.0016	941 - 949	1.5988	1.5940	-	-	-	-	-	-	-
Brazil	(R$)	1.4598	-0.0049	572 - 625	1.4640	1.4580	-	-	-	-	-	-	-
Canada	(C$)	2.2065	+0.0044	057 - 073	2.2118	2.1992	2.209	-1.4	2.2118	-1.0	2.2026	0.2	81.7
Mexico	(New Peso)	9.8786	-0.1392	528 - 043	9.9056	9.8489	-	-	-	-	-	-	-
USA	($)	1.5946	-0.0019	943 - 949	1.5990	1.5940	1.5942	0.3	1.5927	0.5	1.5771	1.1	88.6
Pacific/Middle East/Africa													
Australia	(A$)	2.2170	-0.0054	158 - 182	2.2200	2.2150	2.2192	-1.2	2.2226	-1.0	2.2319	-0.7	77.7
Hong Kong	(HK$)	12.3324	-0.0145	295 - 353	12.3687	12.3222	12.3284	0.4	12.319	0.4	12.2521	0.7	-
India	(Rs)	50.0625	-0.0852	451 - 799	50.1940	50.0370	-	-	-	-	-	-	-
Israel	(Shk)	4.7655	-0.0029	614 - 695	4.7705	4.7602	-	-	-	-	-	-	-
Japan	(Y)	134.202	-0.123	129 - 275	134.480	133.460	133.592	5.5	132.327	5.6	126.462	5.8	170.9
Malaysia	(M$)	3.8896	-0.0069	880 - 911	3.8990	3.8873	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3802	-0.0103	788 - 815	2.3824	2.3781	2.385	-2.4	2.3941	-2.3	2.4107	-1.3	98.4
Philippines	(Peso)	41.0052	-0.1434	619 - 484	41.1481	40.8524	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9806	-0.0071	791 - 820	5.9967	5.9785	-	-	-	-	-	-	-
Singapore	(S$)	2.2221	-0.0007	209 - 233	2.2271	2.2202	-	-	-	-	-	-	-
South Africa	(R)	5.8494	-0.0164	471 - 517	5.8691	5.8470	-	-	-	-	-	-	-
South Korea	(Won)	1214.69	-3.8	438 - 499	1218.91	1214.19	-	-	-	-	-	-	-
Taiwan	(T$)	41.0418	-0.0205	229 - 607	41.1439	41.0104	-	-	-	-	-	-	-
Thailand	(Bt)	39.2750	-0.0615	517 - 983	39.3710	39.2470	-	-	-	-	-	-	-

† Rates for Jun 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.8750	+0.0104	725 - 774	9.8820	9.8100	9.863	1.5	9.843	1.2	9.7465	1.3	107.1
Belgium	(BFr)	28.8640	+0.052	500 - 780	28.8800	28.6540	28.829	1.5	28.774	1.2	28.654	0.7	109.5
Denmark	(DKr)	5.4839	+0.0029	828 - 850	5.4870	5.4525	5.4877	-0.8	5.4959	-0.9	5.5314	-0.9	109.1
Finland	(FM)	4.3062	+0.0027	033 - 090	4.3090	4.2775	4.3044	0.5	4.3012	0.5	4.3007	0.1	86.1
France	(FFr)	4.9443	+0.0093	435 - 450	4.9465	4.9060	4.9508	-1.6	4.9633	-1.5	4.9935	-1.0	108.2
Germany	(DM)	1.4044	+0.0015	041 - 046	1.4054	1.3950	1.4026	1.5	1.3989	1.6	1.3856	1.3	111.6
Greece	(Dr)	227.170	+0.89	120 - 220	227.370	225.360	229.17	-10.6	232.92	-10.1	248.67	-9.5	67.9
Ireland	(I£)	1.6300	-0.0008	290 - 310	1.6355	1.6290	1.6305	-0.4	1.6323	-0.5	1.6372	-0.4	-
Italy	(L)	1660.75	+5.25	000 - 150	1670.00	1657.00	1667.25	-4.7	1680	-4.6	1740.25	-4.5	66.1
Luxembourg	(LFr)	28.8640	+0.052	500 - 780	28.8800	28.6540	28.829	1.5	28.774	1.2	28.654	0.7	109.5
Netherlands	(Fl)	1.5718	+0.003	715 - 720	1.5725	1.5605	1.5697	1.6	1.5657	1.5	1.5536	1.2	109.2
Norway	(NKr)	6.2515	+0.0035	490 - 540	6.2550	6.2140	6.2527	-0.2	6.2455	0.4	6.238	0.2	98.1
Portugal	(Es)	147.770	+0.11	710 - 830	147.840	146.980	148.22	-3.7	149.22	-3.9	155.02	-4.9	95.9
Spain	(Pta)	121.910	-	860 - 960	122.000	121.220	122.25	-3.3	123.05	-3.7	127.385	-4.5	80.6
Sweden	(SKr)	7.2481	+0.0084	434 - 527	7.2551	7.2140	7.2638	-2.6	7.2996	-2.8	7.4856	-3.3	77.5
Switzerland	(SFr)	1.1578	+0.0008	575 - 580	1.1590	1.1490	1.155	2.9	1.1499	2.7	1.1305	2.4	113.2
UK	(£)	1.5946	-0.0019	943 - 949	1.5990	1.5940	1.5942	0.3	1.5927	0.5	1.5771	1.1	83.7
Ecu	-	1.3134	-0.002	128 - 140	1.3213	1.3120	1.3132	0.1	1.3131	0.1	1.3091	0.3	-
SDR†	-	0.63963	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0002	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9155	-0.002	140 - 170	0.9170	0.9140	-	-	-	-	-	-	-
Canada	(C$)	1.3838	+0.0044	835 - 840	1.3840	1.3768	1.3853	-1.3	1.3884	-1.3	1.4003	-1.2	80.5
Mexico	(New Peso)	6.1950	-0.08	800 - 100	6.2100	6.1800	6.1973	-0.4	6.2005	-0.4	6.2053	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3902	-0.0018	899 - 908	1.3910	1.3624	1.3918	-1.4	1.3957	-1.6	1.4163	-1.9	78.7
Hong Kong	(HK$)	7.7339	-0.0001	335 - 342	7.7343	7.7332	7.7321	0.3	7.7317	0.1	7.7474	-0.2	-
India	(Rs)	31.3950	-0.017	900 - 000	31.4150	31.3830	31.475	-3.1	31.72	-4.1	-	-	-
Israel	(Shk)	2.9885	+0.0016	865 - 905	2.9910	2.9824	-	-	-	-	-	-	-
Japan	(Y)	84.1600	+0.02	300 - 900	84.2600	83.6000	83.805	5.1	83.095	5.1	80.19	4.7	171.9
Malaysia	(M$)	2.4392	-0.0015	387 - 397	2.4405	2.4378	2.4372	1.0	2.4348	0.7	2.4292	0.4	-
New Zealand	(NZ$)	1.4925	-0.0047	921 - 932	1.4934	1.4899	1.4959	-2.7	1.5027	-2.7	1.5219	-2.0	-
Philippines	(Peso)	25.7150	-0.06	300 - 000	25.8000	25.6300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 507	3.7508	3.7502	3.7515	-0.3	3.7536	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.3935	+0.0012	930 - 940	1.3945	1.3918	1.3882	4.5	1.38	3.9	1.3535	2.9	-
South Africa	(R)	3.6683	-0.006	675 - 690	3.6730	3.6670	3.6893	-6.9	3.7403	-7.9	3.9963	-8.9	-
South Korea	(Won)	761.750	-1.5	700 - 800	763.000	761.600	764.75	-4.7	768.25	-3.4	786.75	-3.3	-
Taiwan	(T$)	25.7380	+0.017	310 - 450	25.7700	25.7100	25.758	-0.9	25.798	-0.9	-	-	-
Thailand	(Bt)	24.6300	-0.01	200 - 400	24.6400	24.6200	24.651	-1.0	24.6775	-0.8	24.765	-0.5	-

† SDR rate per $ for Jun 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 12. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

June 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	4½	4⅝	4 9/16	4¾	5	7.40	4.00	-
week ago	4½	4⅝	4 9/16	4¾	5	7.40	4.00	-
France	7⅝	7½	7¾	7⅛	6¾	5.00	-	8.00
week ago	7½	7½	7¼	6¾	6⅝	5.00	-	8.00
Germany	4⅝	4½	4 9/16	4 9/16	4½	6.00	4.00	4.50
week ago	4 11/16	4½	4¾	4¾	4⅝	6.00	4.00	4.51
Ireland	6¼	6 5/16	6 11/16	6 13/16	7 1/16	-	-	6.25
week ago	6¼	6 5/16	6⅝	6 13/16	6⅞	-	-	6.25
Italy	10⅝	10 13/16	10 13/16	11 1/16	11⅜	-	7.50	10.40
week ago	10⅝	10¾	10⅝	10¾	10¾	-	7.50	10.40
Netherlands	4⅜	4⅜	4⅜	4⅜	4½	-	5.25	-
week ago	4¼	4⅜	4⅜	4⅜	4½	-	5.25	-
Switzerland	2⅞	3¼	3¼	3¼	3⅜	6.625	3.00	-
week ago	3	3⅜	3½	3 5/16	3⅝	6.625	3.00	-
US	6 1/16	6	6	5 13/16	5⅞	-	5.25	-
week ago	6	6	5⅞	5¾	5⅞	-	5.25	-
Japan	1⅜	1¼	1¼	1⅛	1	-	1.00	-
week ago	1¼	1¼	1 3/16	1	1	-	1.00	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	6 1/16	6 1/16	6	6	-	-	-
week ago	-	6 1/16	5 15/16	5 13/16	5¾	-	-	-
US Dollar CDs	-	5.85	5.89	5.88	5.93	-	-	-
week ago	-	5.86	5.72	5.60	5.55	-	-	-
ECU Linked Ds	-	6⅞	6⅝	6⅝	6 11/16	-	-	-
week ago	-	6⅞	6¾	6⅝	6¾	-	-	-
SDR Linked Ds	-	3 13/16	3 13/16	3⅞	3⅞	-	-	-
week ago	-	3 13/16	3 13/16	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 9/16	4 13/16 - 4 9/16	4⅝ - 4½	4¾ - 4⅝	4 13/16 - 4 11/16	5 1/16 - 4 15/16
Danish Krone	6½ - 6	6⅝ - 6⅜	6 11/16 - 6½	6 11/16 - 6½	6 11/16 - 6 7/16	6¾ - 6⅝
D-Mark	4⅝ - 4½	4 9/16 - 4 7/16	4 9/16 - 4 7/16	4½ - 4⅜	4½ - 4⅜	4 9/16 - 4 7/16
Dutch Guilder	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4¼ - 4⅛	4⅜ - 4¼	4⅜ - 4¼	4 7/16 - 4⅜
French Franc	7½ - 7⅜	7½ - 7⅜	7 5/16 - 7 3/16	7 5/16 - 7 3/16	7 1/16 - 6 15/16	6¾ - 6⅝
Portuguese Esc.	8⅞ - 8⅝	9⅛ - 9	9 9/16 - 9 7/16	10⅛ - 9⅞	10½ - 10⅜	11 - 10¾
Spanish Peseta	9½ - 9⅜	9 9/16 - 9 7/16	9 9/16 - 9 7/16	9 11/16 - 9 9/16	10 - 9⅞	10 7/16 - 10 5/16
Sterling	6¾ - 6½	6 9/16 - 6 7/16	6 11/16 - 6 9/16	6 13/16 - 6 11/16	6 31/32 - 6 27/32	7⅛ - 7
Swiss Franc	3 - 2¾	3 3/16 - 2 15/16	3⅛ - 3	3¼ - 3⅛	3¼ - 3⅛	3⅜ - 3¼
Can. Dollar	7 5/16 - 7⅛	7 5/16 - 7⅛	7 5/16 - 7 3/16	7⅛ - 7	7 - 6⅞	7 - 6⅞
US Dollar	6⅛ - 6	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 - 5⅞	5 15/16 - 5 13/16
Italian Lira	10⅛ - 10	10 5/16 - 10 3/16	10¾ - 10⅝	10 13/16 - 10 11/16	11 3/16 - 11 1/16	11 5/16 - 11 3/16
Yen	1 5/16 - 1 3/16	1 5/16 - 1 3/16	1¼ - 1⅛	1 3/16 - 1⅛	1⅛ - 1 1/16	1 3/16 - 1⅛
Asian $Sing	⅜ - ¼	½ - ⅜	¾ - ⅝	1 3/16 - 1 1/16	1 7/16 - 1 5/16	2⅛ - 2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.55	92.66	+0.04	92.67	92.52	15,241	27,101
Sep	93.37	93.55	+0.12	93.56	93.35	29,416	54,278
Dec	93.75	93.87	+0.10	93.88	93.73	8,207	32,771

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.55	95.57	+0.03	95.58	95.53	14160	100657
Sep	95.65	95.71	+0.07	95.72	95.65	26786	139906
Dec	95.51	95.60	+0.13	95.62	95.49	35949	140252
Mar	95.32	95.42	+0.16	95.45	95.30	36477	114205

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.10	89.15	+0.02	89.17	89.05	3651	22870
Sep	88.89	89.04	+0.07	89.08	88.83	12564	33950
Dec	88.93	89.04	+0.06	89.04	88.87	3060	22451
Mar	88.93	89.04	+0.06	89.03	88.87	838	10618

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.69	96.82	+0.17	96.83	96.69	1590	14170
Sep	96.67	96.83	+0.18	96.84	96.67	7286	18287
Dec	96.52	96.69	+0.22	96.70	96.52	1901	8425
Mar	96.32	96.50	+0.23	96.50	96.32	818	4012

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.76	93.84	+0.08	93.83	93.76	1220	5779
Sep	93.79	93.90	+0.13	93.93	93.77	1407	6261
Dec	93.80	93.92	+0.16	93.94	93.80	575	3483
Mar	93.66	93.80	+0.16	93.78	93.66	178	1808

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
8900	0.22	0.55	0.72	0.07	0.51	0.68
8925	0.08	0.43	0.59	0.18	0.64	0.80
8950	0.02	0.31	0.48	0.37	0.77	0.94

Est. vol. total, Calls 340 Puts 300. Previous day's open int., Calls 9301 Puts 6785

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	17.13	4.864	2.125	5753	5.444	21.66	511.8	422.3	25.11	4.010	2.172	4.795	3.465	291.5	2.637
Denmark	(DKr)	52.64	10	9.015	2.560	1.118	3028	2.866	11.40	269.4	222.3	13.22	2.111	1.144	2.524	1.824	153.5	1.388
France	(FFr)	58.38	11.09	10	2.840	1.240	3359	3.179	12.64	298.8	246.6	14.66	2.341	1.268	2.799	2.023	170.2	1.540
Germany	(DM)	20.56	3.906	3.521	1	0.437	1183	1.119	4.452	105.2	86.82	5.163	0.824	0.447	0.986	0.712	59.94	0.542
Ireland	(I£)	47.07	8.942	8.061	2.289	1	2708	2.562	10.19	240.9	198.8	11.82	1.888	1.022	2.257	1.631	137.2	1.241
Italy	(L)	1.738	0.330	0.298	0.085	0.037	100.	0.095	0.376	8.897	7.341	0.437	0.070	0.038	0.083	0.060	5.068	0.046
Netherlands	(Fl)	18.37	3.490	3.146	0.893	0.390	1057	1	3.978	94.01	77.57	4.613	0.737	0.399	0.881	0.636	53.55	0.484
Norway	(NKr)	46.17	8.772	7.909	2.246	0.981	2656	2.514	10	236.3	195.0	11.60	1.852	1.003	2.214	1.600	134.6	1.218
Portugal	(Es)	19.54	3.712	3.346	0.950	0.415	1124	1.064	4.231	100.	82.51	4.907	0.784	0.424	0.937	0.677	56.96	0.515
Spain	(Pta)	23.68	4.498	4.056	1.152	0.503	1362	1.289	5.128	121.2	100.	5.947	0.950	0.514	1.135	0.820	69.03	0.624
Sweden	(SKr)	39.82	7.565	6.820	1.937	0.846	2291	2.168	8.624	203.8	168.2	10	1.597	0.865	1.909	1.380	116.1	1.050
Switzerland	(SFr)	24.93	4.737	4.271	1.213	0.530	1434	1.358	5.400	127.6	105.3	6.262	1	0.542	1.196	0.864	72.70	0.658
UK	(£)	46.03	8.745	7.884	2.239	0.978	2648	2.506	9.969	235.6	194.4	11.56	1.846	1	2.207	1.595	134.2	1.214
Canada	(C$)	20.86	3.962	3.572	1.014	0.443	1200	1.135	4.517	106.8	88.08	5.238	0.836	0.453	1	0.723	60.81	0.550
US	($)	28.86	5.483	4.943	1.404	0.613	1660	1.571	6.250	147.7	121.9	7.248	1.157	0.627	1.384	1	84.14	0.761
Japan	(Y)	34.30	6.516	5.875	1.668	0.729	1973	1.867	7.428	175.6	144.9	8.614	1.376	0.745	1.645	1.189	100.	0.905
Ecu		37.92	7.203	6.494	1.844	0.806	2181	2.064	8.212	194.1	160.1	9.522	1.521	0.824	1.818	1.314	110.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7127	0.7161	+0.0033	0.7165	0.7127	34,564	53,105
Sep	0.7160	0.7186	+0.0030	0.7196	0.7159	16,364	21,161
Dec	0.7213	0.7207	+0.0024	0.7213	0.7207	69	1,642

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1938	1.1961	+0.0045	1.1965	1.1918	30,482	47,696
Sep	1.2058	1.2094	+0.0040	1.2117	1.2051	14,888	20,954
Dec	1.2229	1.2229	+0.0029	1.2229	1.2229	163	1,517

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8672	0.8691	+0.0031	0.8700	0.8660	13,683	17,678
Sep	0.8725	0.8753	+0.0035	0.8765	0.8725	12,611	11,291
Dec	-	0.8804	-	0.8804	-	65	789

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5980	1.5980	+0.0032	1.5994	1.5974	14,909	22,345
Sep	1.5960	1.5964	+0.0038	1.5972	1.5950	9,440	12,747
Dec	-	1.5910	-	1.5910	-	1	176

UK INTEREST RATES

LONDON MONEY RATES

Jun 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	6 9/16 - 6 7/16	6⅝ - 6½	6 13/16 - 6⅝	6⅞ - 6¾	7¼ - 7⅛
Sterling CDs	-	-	6 9/16 - 6½	6 11/16 - 6⅝	6 27/32 - 6 25/32	6 31/32 - 6 29/32
Treasury Bills	-	-	6¼ - 6 3/16	6⅜ - 6 5/16	-	-
Bank Bills	-	-	6⅜ - 6 5/16	6 7/16 - 6⅜	6 17/32 - 6 7/16	-
Local authority deps.	5 9/16 - 5 5/16	6 1/16 - 5 15/16	6 9/16 - 6⅜	6⅝ - 6 9/16	6¾ - 6⅝	7⅛ - 7
Discount Market deps	6¾ - 6½	6 9/16 - 6⅜	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2735pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.768pc. Finance House Base Rate 7pc from June 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.33	93.36	+0.05	93.36	93.32	7971	63918
Sep	92.99	93.11	+0.15	93.12	92.99	30650	98847
Dec	92.75	92.92	+0.22	92.93	92.75	25354	75115
Mar	92.56	92.71	+0.21	92.72	92.56	12128	49726

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.13	0.19	0.26	0.02	0.33	0.59
9350	0	0.10	0.17	0.14	0.49	0.75
9375	0	0.05	0.11	0.39	0.69	0.94

Est. vol. total, Calls 6287 Puts 5145. Previous day's open int., Calls 216015 Puts 228862

EMS EUROPEAN CURRENCY UNIT RATES

Jun 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08298	-0.00162	-3.21	6.28	-
Belgium	39.3960	38.2559	-0.0453	-2.89	5.93	21
Austria	13.4383	13.0887	-0.0155	-2.60	5.61	17
Germany	1.91007	1.86135	-0.00215	-2.56	5.56	-
Spain	162.493	161.641	-0.291	-0.52	3.41	4
Denmark	7.28580	7.27492	-0.00401	-0.15	3.02	1
Portugal	195.792	195.938	-0.2	0.07	2.79	-1
France	6.40608	6.55302	+0.00093	2.29	0.58	-19
Ireland	0.792214	0.814926	+0.001323	2.87	0.00	-19
NON ERM MEMBERS						
Greece	292.867	301.186	+0.589	2.84	0.03	-
Italy	2106.15	2211.18	+11.75	4.99	-2.02	-
UK	0.786652	0.833489	+0.001983	5.95	-2.91	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.525	7.18	-	-	-	0.01	0.29
1.550	4.68	-	-	-	-	-
1.575	2.28	2.96	3.56	-	0.74	1.41
1.600	0.43	1.53	2.20	0.62	1.75	2.50
1.625	-	0.64	1.24	2.58	3.30	3.96
1.650	-	0.19	-	5.05	-	-

Previous day's vol., Calls 6,113 Puts 11,350 . Prev. day's open int., Calls 293,905 Puts 384,156

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.94	94.02	+0.08	94.03	93.94	31,254	293,838
Sep	94.17	94.36	+0.20	94.38	94.17	77,929	363,017
Dec	94.14	94.39	+0.26	94.44	94.14	160,450	321,037

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.50	94.53	+0.09	94.53	94.50	709	6,273
Sep	94.65	94.77	+0.19	94.83	94.64	1,534	10,296
Dec	94.66	94.85	+0.26	94.89	94.66	91	10,931

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9550	0.08	0.28	0.29	0.32	0.01	0.05	0.06	0.11
9575	0.02	0.10	0.14	0.17	0.20	0.14	0.18	0.21
9600	0	0.03	0.06	0.08	0.43	0.32	0.35	0.37

Est. vol. total, Calls 7312 Puts 11190. Previous day's open int., Calls 255542 Puts 338335

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9675	0.08	0.21	0.24	0.01	0.13	0.30
9700	0.02	0.10	0.14	0.20	0.27	0.45
9725	0	0.04	0.07	0.43	0.46	0.63

Est. vol. total, Calls 105 Puts 0. Previous day's open int., Calls 1310 Puts 1035

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	Unity Trust Bank Plc	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Western Trust	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75		
Barclays Bank	6.75	C. Hoare & Co	6.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	* In administration	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		60½	—	96	50½	6.31	19.8	–
9¼pc Non-Cum Prf		4½	—	118½	3	1.90	–	–
Cater Allen	‡†	523	—	624	416	170.5	6.8	10.8
Close Bros	‡†	278	—	280	219	264.7	3.6	12.8
Gerrard & Nat	‡†□	480	—	490	395	224.0	6.5	13.3
Hambros	qv□	184	-3	253	182	324.9	5.2	19.3
7½pc Cv Pf		97	—	112	94	125.0	9.7	–
Joseph (L)	‡†	383	—	408	363	19.2	6.1	10.6
King & Shaxson	‡	120	—	124	85	20.9	9.4	11.9
Kleinwort Benson	‡v□	701	—	707	529	944.9	3.8	12.5
Rea Bros	‡v	91	—	97	51	24.8	2.5	18.7
Schroders	‡bv□	1105	+2	*1145	908½	1,888	1.5	15.7
N/V	bv	885	—	*978½	823½	303.8	1.9	12.7
Singer & Fried	‡v□	82	-1	98	81	179.9	4.8	8.5
Union	‡v□	97	+3	106	70	25.8	3.9	–
Warburg (SG)	‡qv□	767xd	-6	883	655	1,673	3.6	–
Wintrust	‡qv	280	—	288	200	21.2	5.9	φ

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£32½	----	£34	£29	2,164	2.4	17.8
Barlow	♣	£6½	----	£6½	£4⅞	1,307	1.5	24.4
Gold Flds Prop R.		144	----	152	118	14.7	7.1	8.7
MK Props.		90	----	95	85	3.82	12.7	–
SASOL	♥	604	----	648	435	3,536	2.2	–
SA Brews		£17¼xd	----	£18½	£12⅝	4,988	1.9	ɸ
Tiger Oats		950	+75	950	700	1,429	1.5	23.3
Tongaat-Hulett	†n	725xd	----	768	636	880.8	1.9	22.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚲ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK: Post Advisors 0800 414181 — Jersey: 01534 71696
Private Clients 0800 414161 — 00 352 250404230
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum			A$17.832		+0.003	8.40
A$ Dist			A$16.338		—	8.40
ASch Accum			Sch240.83		+0.04	3.50
ASch Dist			Sch202.48		—	3.50
BFr Accum			BFr543.98		+0.08	3.90
BFr Dist			BFr507.68		—	3.90
C$ Accum			C$17.636		+0.006	6.40
C$ Dist			C$15.363		—	6.50
DKr Accum			DKr109.35		+0.01	5.50
DKr Dist			DKr101.87		—	5.50
DM Accum			DM37.030		+0.007	3.40
DM Dist			DM30.389		—	3.40
DFl Accum			Dfl30.729		+0.003	3.20
DFl Dist			Dfl25.325		—	3.30
ECU Accum			Ecu12.804		+0.005	5.90
ECU Dist			Ecu10.181		—	5.30
FM Accum			FM108.28		+0.01	4.00
FM Dist			FM107.33		—	4.00
FFr Accum			FFr63.744		+0.011	6.20
FFr Dist			FFr50.990		—	6.20
HK$ Accum			HK$113.43		+0.01	6.00
HK$ Dist			HK$102.06		—	6.10
£ Accum			£11.679		+0.002	5.30
£ Dist			£10.167		—	5.30
Lira Accum			L21014		+5	10.10
Lira Dist			L19484		—	10.08
NZ$ Accum			NZ$36.003		+0.007	7.70
NZ$ Dist			NZ$30.798		—	7.70
NKr Accum			NKr107.12		+0.01	4.80
NKr Dist			NKr101.45		—	4.70
Pta Accum			Es2940.7		+1.4	8.10
Pta Dist			Es2578.9		—	8.10
S$ Accum			S$25.575		—	1.00
S$ Dist			S$25.091		—	1.00
SPta Accum			Pta2475.1		+0.5	8.50
SPta Dist			Pta1848.9		—	8.40
£ Accum			£12.285		+0.002	5.30
£ Dist			£10.182		—	5.30
SKr Accum			SKr111.23		+0.03	7.80
SKr Dist			SKr102.47		—	7.40

GUERNSEY (SIB RECOGNISED)

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd $	3		$11.5948	12.372	—	7.48
Approx Stlg Equiv	3		£7.5082	7.7715	—	7.48

GUERNSEY (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ANZ Mngmt Co (Guernsey) Ltd				
Emerging Mkts Usd Inv Pfolio	$13.16	13.49	—	–
Apollo Investment Management Ltd				
Japan	£9.911	10.508	—	–
Tiger	£10.590	11.272	—	–
Arab Bank Fund Managers (Guernsey) Ltd				
AB International Fund Ltd				
Managed Currency	$11.28	11.33	—	–
International Bond	$11.38	11.42	—	–
Bachmann Global Investment Fund Ltd				
Cash, Bd & Stlg Fxd Int	£18.15	18.18	—	–
US Dollar Int Bond & Ccy	$132.94	138.48	—	–
Sterling Int Bond & Ccy	£102.56	104.66	—	–
Global Equity	£8.28	8.71	—	–
Intl Equity Index	$106.16	110.68	—	–

For Belfront see Other Offshore Funds

	Selling Price	Buying Price	+ or -	Yield Gross
CIBC Fund Managers (Guernsey) Ltd				
PCF Sterling Bond Φ	£11.20	11.49	—	8.47
PCF US Dollar Bond Φ	$15.99	16.25	—	7.77
PCF Canadian Dollar Bond Φ	C$22.20	22.88	—	10.10
PCF Euro Bond Φ	$19.00	19.34	—	–
PCF Euro Equity Φ	$19.28	19.87	—	–
PCF Balanced Φ	$16.18	16.52	—	–
PCF Far East Φ	$16.30	17.20	—	–
Clariden Investment Management (Guernsey) Ltd				
Clariden India Fund		$91.84	—	–
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	Ecu20.17	20.18	—	–
Global Portfolio Management (Guernsey) Ltd				
Global Conv Bd Dec 29	$11.69	11.70	—	–
Global Emerging Markets	$10.31	10.32	—	–
Guernsey Capital Management Limited				
GCM Int Fix Inc Class	£1030.62	1031.59	—	–
GCM Intl Eq Class F3	$102.79	110.48	—	–
GCM 3A Int Class	$986.59	987.93	—	–
GCM US$ Special Class	$1040.31	1041.98	—	–

Hambros Fund Managers (CI) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie fails to respond to bid hints or Wall St

By Steve Thompson, UK Stock Market Editor

A London equity market strangely reluctant to respond to the latest upsurge on Wall Street and in US Treasury bonds was buzzing with takeover speculation late yesterday. The latest rumours, which have been bubbling for around two weeks, indicated that a bid for one of the FT-SE 100's leading stocks was being prepared.

Dealers said the hot favourites were Cable and Wireless, the telecoms group, and Zeneca, the pharmaceuticals company.

Talk of a takeover offer for C&W has been circulating for a number of months but has rarely been viewed as serious. More recently, the stories have been gaining credence and C&W was easily the best performer in the FT-SE 100 Index yesterday, jumping by more than 6 per cent, with marketmakers noting rumours that the company was preparing to break itself up, to prevent a full-scale takeover from BT or AT&T, of the US.

At the close the FT-SE 100 was a slight 3.4 higher at 3,348, a response described by strategists as disappointing in the face of Wall Street's strong showing. The Dow Average was up around 25 points an hour and a half after London's close.

It was being pulled higher by a fresh advance by US Treasury bonds, which were more than a point firmer in the wake of yet more evidence of a slowing US economy. The evidence came in the form of a smaller than expected increase in US retail sales, which rose 0.2 per cent in May against expectations of a 0.6 per cent increase, and flat consumer prices in the same month.

Dealers said the retail sales number increased the chances of the US Federal Reserve easing monetary policy when it next meets on July 5, although they said the odds remained firmly against any shift.

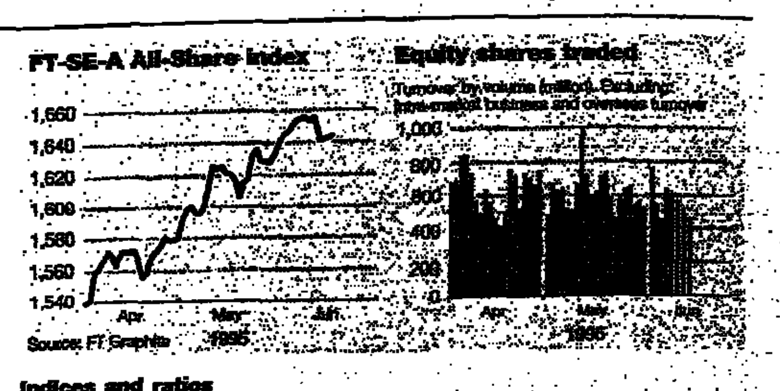
The FT-SE Mid 250 Index, which has trailed the senior index in recent sessions, did so again yesterday, finishing 1.7 lower at 3,657.6. It was dragged down by poor performances from the housebuilding and property sectors. The former was hit by evidence of a further slowdown in house sales, while properties were damaged by poor results from British Land, the UK's third biggest property group.

Marketmakers also pointed to increasing downside pressure on the composite insurers after C.E. Heath, the insurance broker, confirmed the sustained downward pressure on commercial motor and fire insurance lines in the UK.

Earlier the FT-SE 100 had begun the session on a firm note, but it quickly ran out of steam amid general nervousness ahead of the important economic news due this week. At its best it was 7.3 ahead but quickly retreated to show a 5.3 net decline just before the US retail sales and inflation news was announced.

Turnover in equities remained disappointing, reaching 559.3m shares, with non-Footsie stocks accounting for 54 per cent of the total. Customer business on Monday was worth £1.17bn.

Strategists said the market was clearly unwilling to drive in either direction until a clear picture of the domestic economy emerged with the inflation and retail sales numbers tomorrow.



Indices and ratios

FT-SE 100	3348.0	+3.4	FT Ordinary Index	2512.3	-0.3
FT-SE Mid 250	3657.6	-1.7	FT-SE-A Non Fins p/e	16.72	(16.72)
FT-SE-A 350	1662.0	+1.2	FT-SE100 Fut Jun	3344.0	-3.0
FT-SE-A All-Share	1642.51	+0.86	10 yr Gilt yield	8.04	(8.18)
FT-SE-A All-Share yield	3.96	(3.96)	Long gilt/equity yld ratio:	2.05	(2.06)

Best performing sectors

1 Telecommunications .... +1.5
2 Electronic & Elect Eq .... +0.9
3 Oil Exploration & Prod .... +0.9
4 Life Assurance .... +0.9
5 Utilities .... +0.8

Worst performing sectors

1 Building & Construct .... -1.3
2 Property .... -1.3
3 Tobacco .... -0.9
4 Paper, Pckg & Printing .... -0.8
5 Water .... -0.6

C&W races ahead

Persistent rumours of corporate activity continued to snipe away at Cable and Wireless, pushing the shares sharply higher for the second day running. They closed 27 stronger at 439p for a two-day advance of more than 8 per cent. At 15m shares, turnover was the heaviest for the stock since early February.

The hot gossip in a market seething with rumour and counter rumour was that a bidding auction was about to break out between BT and the UK giant's US global telecoms rival AT&T. This was closely followed by a buzz that C&W was set to break itself up as a means of realising shareholder value.

Although most analysts remained sceptical of the takeover talk, they were impressed by the shares' resilience. With the stock well into new high ground for 1995, at least one top securities house was suggesting that it could soon be advising clients to take profits on fundamental grounds.

The excitement received additional backing from talk of big share stakes changing hands in C&W's major Far Eastern offshoot, Hong Kong Telecom. James Capel was said to have placed a large line of stock in HK Telecom, a move the broker refused to comment on.

At the same time, C&W and BT were both heavily dealt in the stock options market, with the former racking up the equivalent of more than a fifth of its turnover in the cash market. BT's derivatives volume was close on 6,700 lots.

Mobile phones leader Vodafone was also heavily traded, advancing 5 to a record 230p as heavy US buying got the better of a two-way pull to push turnover up to 14m. Dealers said London investors were net sellers of the shares.

Inchcape slides

International motor group Inchcape took a severe knock following a gloomy annual meeting statement from Jardine International Motors, the Hong Kong distribution arm of the Jardine Group. Inchcape, which has come down from 430p this year following two profits warnings, retreated 8½ to 307p in 4.9m traded.

According to the Jardine offshoot, markets in Hong Kong and China had proved difficult and a further deterioration in demand was a strong possibility. Inchcape, which has a big market share in the region, is widely expected by London analysts to be facing a 40 per cent shortfall in Far Eastern profits this year.

The big Hong Kong banks came under pressure yesterday as one leading securities house highlighted its worries about HSBC and Standard Chartered.

ABN Amro Hoare Govett believes the soaring US Treasury bond market is about to reverse. And as prices fall and yields rise again that will hit the cost of capital and valuations of dollar-based stocks.

The securities house was pointing out that regardless of bond prospects HSBC is about 15 per cent too expensive relative to the UK banking sector, while Standard Chartered is some 8 per cent too dear.

Hoare sees US Treasury yields rising to 7 per cent by the end of the year, which would equate to a price fall of around 6 per cent. However, any selling was muted by a burst of renewed activity in the bond market and HSBC was merely held back at 818p in the ordinaries while Standard slipped 4 to 339p.

Insurance stocks came in for further underlying pressure as broker C.E. Heath provided gloomy comments on industry trends.

The shares tumbled 13 to 225p as Heath highlighted the growing competition between brokers and the falling premium rates. Mr Charles Landa of SGST said: "It does look as though we are heading for an underwriting downturn."

The news, coming on the back of disappointing figures from Bradstock last week, is likely to undermine confidence in the sector, analysts said. However, the composites have been driven by rising bond prices, and renewed activity in the debt market saw General Accident firm 8 to 408p, Royal Insurance 3 to 321p and Sun Alliance 2 to 342p.

National Power gave up a penny to 481p in nervous trading of 1.4m on talk that the industry regulator may soon come out with a report on electricity pool price caps.

There was also a story in the market suggesting that the regulator's report into pricing by the recs, which was expected later this month, has been postponed until next month. Eastern Electricity, which reports figures on Monday, was in demand and rose 10 to 679p.

Power generator Scottish Hydro-Electric firmed 5 to 337p, with volume reaching 1.3m by the close, ahead of today's final figures.

The word in the market is that a Monopolies and Mergers Commission (MMC)finding into a claim brought last year by Scottish Hydro will be published tomorrow.

Scottish Hydro referred to the MMC a distribution and supply review by the industry regulator which the firm said was too harsh. Analysts will also be looking at the MMC's report for an indication of what it sees as a fair rate of return for recs.

Shares in British Land relinquished 16 to 395p, after the market was disappointed by the growth in Net Asset Value (NAV) at the group.

Great Portland Estates, which reported figures in line with market forecasts eased 4 to 176p as several brokers urged investors to take profits, a list which included BZW. The investment bank last week moved to an "underweight "position on the property sector and it said yesterday: "It will be difficult for the major players to out perform in the current market because values are static."

International conglomerate Hanson was one of the most heavily traded stocks in London as a two-way pull developed. US investors are keen buyers but UK funds have been offloading and the sale of a block of 3m shares at 230p each late in the day depressed the price. Hanson eased a penny higher at 229½ with turnover hitting 13m.

Profit-taking after Northern Foods reported figures in line with market expectations left the shares 7½ lighter at 184½p. Both BZW and Kleinwort Benson were said to sellers of the stock.

Brandon Hire, the fast expanding construction tool hire group, added 2 to 115p in the face of a £5.4m rights issue at 104p a share.

Advertising group Cordiant – the old Saatchi & Saatchi – gained 3 to 104p despite what some analysts considered a disappointing annual meeting. Forecasts were downgraded to reflect £10m redundancy costs and Panmure Gordon said earnings per share could be halved to 1.9p. But, other media specialists focused on the improved margins that would be achieved by the staff cuts.

Pharmaceuticals group Zeneca attracted further bid premium that pushed the shares 18 higher at one stage. The price was dragged back to a closing gain of 8 at 1046p after Mr David Barnes, the chief executive, said he had no plans to sell off the agrochemicals and specialty chemicals businesses.

SmithKline Beecham slipped 1½ to 544p in the 'A's as S.G. Warburg officially went negative on the stock. The integrated securities house has been talking cautiously about the stock for some time but only published its new views yesterday.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jun 13	Jun 12	Jun 9	Jun 8	Jun 7	Yr ago	*High	*Low
Ordinary Share	2512.3	2512.6	2512.4	2545.9	2543.5	2397.2	2553.7	2238.3
Ord. div. yield	4.25	4.25	4.26	4.21	4.21	4.22	4.73	4.20
P/E ratio net	15.75	15.74	15.73	15.91	15.89	18.82	21.38	15.73
P/E ratio nil	15.51	15.50	15.49	15.67	15.65	18.51	22.21	15.49

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2515.9	2514.1	2508.1	2505.9	2509.4	2508.2	2508.8	2512.4	2509.3	2516.8	2505.9

	Jun 13	Jun 12	Jun 9	Jun 8	Jun 7	Yr ago
SEAQ bargains	21,071	21,568	22,046	23,703	24,404	23,141
Equity turnover (£m)†	-	1175.7	1317.8	1511.3	1468.0	1562.2
Equity bargains†	-	32,283	32,581	34,417	34,488	25,196
Shares traded (ml)†	-	477.2	521.1	570.0	606.2	534.6

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	562	Total Highs	97	Total contracts	40,777
Total Falls	585	Total Lows	47	Calls	27,017
Same	1,719			Puts	13,760

June 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3356.0	3344.0	-3.0	3356.0	3337.0	20173	40474
Sep	3377.5	3368.0	-3.0	3378.0	3362.5	14372	38414
Dec		3393.0	-3.0			0	475

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3660.0	3680.0	-6.0	3660.0	3656.0	13	1910
Sep	3687.0	3685.0	-6.0	3687.0	3680.0	28	3334

■ FT-SE 100 INDEX OPTION (LIFFE) (*3346) £10 per full index point

	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P
Jun	196	1	146	1	96	1	48½	3	13	20	2	63	1	113	1	163
Jul	214	6½	169½	10	127	17½	89	31	58½	52	34	81½	17½	119	8	158
Aug	217½	13	175	20	137	32½	103	48½	73	69	59	96½	32	130	18½	170
Sep	235	21	194½	31	157	43	125	60½	94½	81	71½	108½	56½	139½	34½	176½
Dec†			245½	62½			182	97½			128	144½	-	-	85½	203½

Calls 5,779 Puts 6,044

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P
Jun	169½	1	119½	1	71	2	27	8½	4½	35½	1	82	1	131	1	181
Jul	189½	8	145½	14½	106	24	71½	39	44½	62	25	92	12½	129	5½	171½
Aug	196	16	156	26	129	39	88½	57	62	80	41	108½	25	142	14	180
Sep			175½	34½			118	67½			88½	116½			28½	182½
Dec†			232½	70½			168½	103			113	144			70	197½

Calls 4,512 Puts 4,630 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	P.P.	128.1	733	689	Brit Aero Cap Uts	700	+1	-	-	-	-
-	F.P.	25.2	103	98	Finsbury Worldwide	101		-	-	-	-
122	F.P.	24.9	127	122	Gradus Group	126		Lv4.88	2.1	4.8	12.5
80	F.P.	13.8	98	80	Gus Carter	87	-1	v-	-	-	19.1
-	F.P.	63.2	113	111	International Energy	112		v3.3	2.3	3.7	14.7
3	F.P.	2.23	3½	3½	Langdons Foods	3½		Hv0.1	2.5	3.6	13.3
100	F.P.	20.2	98	93	NatWest Irish Sm	94		-	-	-	-
-	F.P.	1.29	33	28	Do. Warrants	30		-	-	-	-
-	F.P.	1,262.6	141	128	NYNEX CableCom	136½		-	-	-	-
-	F.P.	13.0	650	650	Oryx India	650		-	-	-	-
-	F.P.	1.00	250	250	Do Warrants	250		-	-	-	-
125	F.P.	16.8	141	128	Silk Industries	140		Lv5.6	2.1	5.0	11.7

FT GOLD MINES INDEX

	Jun 12	% chg on day	Jun 9	Jun 8	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index†(33)	1888.09	-0.4	1895.01	1905.92	1908.62	2.17	2337.89	1837.91
■ Regional Indices								
Africa (16)	2509.76	+1.7	2467.17	2485.09	2716.16	5.12	3711.87	2428.19
Australasia (6)	2128.17	-0.2	2133.22	2182.81	2615.85	1.84	2951.49	1788.20
North America (11)	1680.60	-1.4	1703.89	1706.82	1568.21	0.81	1911.21	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Jun 13	Day's chge%	Jun 12	Jun 9	Jun 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3348.0	+0.1	3344.6	3337.7	3360.8	3039.6	4.14	2.01	14.97	73.63	1308.48
FT-SE Mid 250	3657.6	—	3659.3	3678.9	3698.1	3578.7	3.59	1.84	18.86	58.85	1401.56
FT-SE Mid 250 ex Inv Trusts	3666.3	-0.1	3668.4	3689.8	3707.5	3584.4	3.73	1.91	17.56	60.22	1403.41
FT-SE-A 350	1662.0	+0.1	1660.8	1660.2	1678.7	1534.9	4.02	1.98	15.70	34.36	1327.25
FT-SE-A 350 Higher Yield	1678.3	-0.1	1679.2	1678.0	1701.0	1530.1	4.90	1.75	14.60	41.02	1105.94
FT-SE-A 350 Lower Yield	1645.1	+0.2	1641.7	1641.7	1655.2	1500.5	2.89	2.42	17.23	27.35	1103.62
FT-SE SmallCap	1854.23	-0.1	1856.52	1860.39	1864.01	1859.23	3.31	1.61	23.45	29.44	1473.99
FT-SE SmallCap ex Inv Trusts	1833.16	-0.2	1835.98	1839.06	1841.16	1836.94	3.51	1.68	21.22	30.61	1463.45
FT-SE-A ALL-SHARE	1642.51	+0.1	1641.65	1641.32	1658.48	1526.23	3.96	1.96	16.12	33.35	1333.44

■ FT-SE Actuaries All-Share

	Jun 13	Day's chge%	Jun 12	Jun 9	Jun 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2868.50	+0.4	2854.15	2846.25	2867.38	2680.07	3.65	2.07	16.56	61.78	1184.00
12 Extractive Industries(7)	3792.83	.....	3794.45	3789.04	3825.35	3904.74	3.74	2.07	16.19	92.98	1074.31
15 Oil, Integrated(3)	2864.77	+0.5	2850.93	2839.95	2863.61	2632.17	3.76	2.16	15.38	61.83	1210.27
16 Oil Exploration & Prod(14)	2080.20	+0.9	2061.83	2072.11	2060.24	1880.87	2.38	0.67	78.89	31.86	1223.91
20 GEN INDUSTRIALS(278)	1952.55	-0.1	1954.54	1957.63	1971.88	1974.47	4.05	1.69	18.21	38.35	1025.31
21 Building & Construction(38)	976.39	-1.3	989.23	993.82	999.83	1183.57	4.08	1.86	16.50	20.84	787.69
22 Building Matls & Merchs(31)	1791.15	-0.2	1793.96	1806.61	1816.65	1888.79	4.15	1.84	16.40	37.17	870.70
23 Chemicals(22)	2408.56	-0.2	2412.24	2424.07	2443.27	2417.68	3.94	1.51	20.94	52.12	1101.66
24 Diversified Industrials(18)	1859.77	-0.3	1866.28	1857.59	1881.34	1968.52	5.20	1.58	15.17	50.64	990.43
25 Electronic & Elect Equip(36)	2064.38	+0.9	2046.08	2035.95	2046.56	1997.30	3.54	1.94	18.24	17.19	1029.09
26 Engineering(72)	1973.58	.....	1972.79	1985.53	1990.88	1838.17	3.20	1.85	21.13	27.34	1155.10
27 Engineering, Vehicles(13)	2311.25	+0.2	2305.70	2321.89	2343.24	2307.75	3.96	0.54	57.95	48.54	1157.05
28 Paper, Pckg & Printing(27)	2940.83	-0.8	2963.56	2957.41	2976.99	2784.69	3.30	2.26	16.74	53.63	1186.78
29 Textiles & Apparel(21)	1657.73	+0.6	1648.40	1657.33	1666.31	1769.57	4.27	1.60	18.35	40.54	973.97
30 CONSUMER GOODS(93)	3172.27	-0.1	3174.10	3160.02	3202.43	2642.22	4.12	1.81	16.80	69.79	1129.05
31 Breweries(18)	2408.68	-0.4	2418.21	2401.62	2409.83	2179.17	4.13	2.02	14.96	44.82	1118.93
32 Spirits, Wines & Ciders(10)	2757.67	+0.2	2753.48	2751.26	2781.88	2845.98	4.29	1.86	15.66	77.23	969.53
33 Food Producers(24)	2506.94	-0.3	2517.42	2511.18	2525.98	2196.54	4.06	1.92	16.01	56.12	1092.85
34 Household Goods(10)	2632.63	+0.5	2618.83	2616.97	2618.96	2456.42	3.50	0.98	36.60	54.60	974.98
36 Health Care(17)	1779.42	.....	1779.44	1777.72	1769.61	1675.07	2.85	2.35	18.63	25.57	1055.04
37 Pharmaceuticals(12)	4042.04	+0.3	4030.06	3998.35	4076.11	2807.96	3.84	1.62	20.12	89.31	1321.74
38 Tobacco(2)	4173.42	-0.9	4210.59	4201.74	4318.55	3519.22	5.43	1.90	12.10	131.29	987.75
40 SERVICES(229)	2033.00	-0.1	2034.37	2037.50	2054.55	1960.34	3.33	2.12	17.67	38.46	1027.72
41 Distributors(32)	2591.72	-0.2	2596.81	2603.49	2600.56	2756.90	3.74	2.00	16.75	54.45	926.88
42 Leisure & Hotels(29)	2331.49	+0.5	2320.71	2323.51	2343.25	2141.06	3.37	1.71	21.73	37.23	1176.68
43 Media(43)	3010.40	-0.2	3015.48	3005.69	3030.78	2975.71	2.62	2.35	20.33	56.39	1069.30
44 Retailers, Food(16)	2041.64	-0.1	2042.85	2044.81	2061.09	1631.92	3.40	2.44	15.08	45.02	1261.37
45 Retailers, General(44)	1657.28	-0.3	1662.21	1668.03	1688.44	1689.79	3.45	2.19	16.53	34.35	921.15
48 Support Services(37)	1617.28	.....	1617.16	1623.80	1625.57	1569.56	2.75	2.52	18.03	20.61	1003.98
49 Transport(21)	2234.90	-0.1	2236.09	2244.75	2269.71	2324.87	4.18	1.77	16.94	39.17	898.51
51 Other Services & Business(7)	1222.57	+0.1	1221.47	1222.60	1223.93	1184.07	3.71	1.24	27.06	12.40	1071.78
60 UTILITIES(37)	2424.13	+0.8	2405.80	2405.38	2427.20	2245.05	4.65	1.94	13.87	33.02	965.78
62 Electricity(17)	2331.23	+0.5	2319.06	2313.89	2314.25	2190.45	4.45	2.77	10.12	27.40	1000.99
64 Gas Distribution(2)	2045.00	+0.3	2038.85	2046.23	2084.37	1916.87	5.86	0.65	32.72	66.79	893.57
66 Telecommunications(5)	2100.22	+1.5	2069.46	2060.76	2091.94	1944.71	4.07	1.63	18.91	11.51	916.63
68 Water(13)	1926.76	-0.6	1938.02	1963.30	1960.35	1735.76	5.68	2.69	8.20	45.79	1003.41
69 NON-FINANCIALS(661)	1769.17	+0.1	1767.15	1766.03	1782.47	1651.77	3.94	1.90	16.72	34.17	1289.68
70 FINANCIALS(117)	2391.33	-0.2	2397.16	2400.03	2440.25	2138.69	4.43	2.33	12.10	65.01	983.51
71 Banks, Retail(9)	3203.52	-0.4	3217.09	3220.94	3278.51	2773.94	4.30	2.91	10.00	90.64	995.90
72 Banks, Merchant(6)	3255.50	-0.3	3265.24	3244.41	3252.61	2785.07	3.27	1.89	19.25	56.32	1006.60
73 Insurance(26)	1319.16	+0.5	1313.06	1311.40	1341.83	1221.04	5.40	1.84	12.62	43.40	945.55
74 Life Assurance(6)	2686.79	+0.9	2663.40	2660.99	2711.32	2294.94	5.06	1.36	18.13	91.02	1078.07
77 Other Financial(22)	2039.56	+0.2	2034.86	2036.30	2043.55	1814.24	3.81	2.32	14.14	30.47	1119.82
79 Property(46)	1444.69	-1.3	1463.04	1475.91	1497.27	1521.42	4.24	1.26	23.04	26.65	865.32
80 INVESTMENT TRUSTS(133)	2786.96	.....	2788.41	2796.88	2816.85	2747.67	2.33	1.03	51.99	32.07	953.75
89 FT-SE-A ALL-SHARE(911)	1642.51	+0.1	1641.65	1641.32	1658.48	1526.23	3.96	1.96	16.12	33.35	1333.44
FT-SE-A Fledgling	1012.40	-0.2	1014.42	1015.61	1016.29	-	2.98	1.21	34.72	14.60	1027.66
FT-SE-A Fledgling ex Inv Trusts	1006.52	-0.2	1008.86	1009.91	1010.20	-	3.14	1.25	31.75	14.97	1022.11

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3352.2	3348.7	3340.2	3339.7	3342.6	3340.5	3341.5	3347.8	3345.8	3352.2	3339.3
FT-SE Mid 250	3659.1	3658.2	3655.1	3654.2	3654.4	3653.6	3654.5	3656.5	3657.4	3659.2	3653.3
FT-SE-A 350	1663.7	1662.3	1658.7	1658.4	1659.6	1658.7	1659.1	1661.8	1661.1	1663.7	1658.2

Time of FT-SE 100 Day's high: 8.30am Day's low: 1.18pm. FT-SE 100 1994 High: 3380.0 (5/6) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	974.5	972.8	970.7	970.4	969.6	969.4	965.2	964.0	961.0	961.0	977.0	-16.0
Pharmaceuticls	3996.7	3998.8	3977.2	3978.2	3990.3	3980.2	3978.7	3996.8	3994.3	4007.2	3995.2	+12.0
Water	1934.3	1934.5	1919.4	1921.4	1921.9	1919.9	1920.9	1920.9	1920.6	1920.6	1932.2	-11.6
Banks, Retail	3270.2	3258.6	3247.4	3244.0	3244.1	3237.8	3241.2	3247.6	3245.2	3244.4	3258.1	-13.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	942	383	-1
ASDA Group†	13,000	85½	-½
Abbey National†	2,300	478	+1
Albert Fisher	2,600	46	
Allied Domecq†	1,600	536	-4
Anglian Water	216	521	+2
Argos	313	435	-2
Argyll Group†	8,600	327	+3
Arjo Wiggins†	730	245	-4
Assoc. Brit. Foods†	811	880	-
Assoc. Brit. Ports	807	277	-8
BAA†	844	480	+2
BAT Inds.†	2,300	493	-5
BET	2,300	126	+2
BICC	1,100	323	+1
BOC†	2,600	793	-4
BP†	5,500	447	+2½
BPB Inds.	1,200	309	+1
BT†	4,800	382½	-2
BTR†	5,800	337	-5
Bank of Scotland†	1,700	221	+½
Barclays†	7,200	677	
Bass†	2,300	587	-5
Blue Circle†	323	300	-2
Booker	380	436	+1
Boots†	829	511	-5
Brit. Aerospace†	679	527	+3
British Airways†	1,100	405	+3
British Gas†	3,300	308½	+1
British Land	2,000	395	-16
British Steel†	2,900	166½	-½
Bunzl	404	201	
Burmah Castrol†	108	937	+7
Burton	1,100	87½	
Cable & Wire†	15,000	439	+27
Cadbury Schweppes†	2,500	475	-1
Caradon†	697	251	+½
Carlton Comms.†	1,400	959	
Coats Viyella	1,500	209	+4
Comm. Union†	1,200	605	-1
Cookson	870	244	-4
Courtaulds†	768	448	+2
Dalgety	179	448	
De La Rue†	627	919	-13
Dixons	2,100	241	-2
Eastern Elect.†	781	679	+10
East Midland Elect.	1,000	684	+8
Electrocomps	351	601	+9
Eng China Clays	108	377	-1
Enterprise Oil†	547	406	+2
Eurotunnel Units	359	178	-1
FKI	2,000	153	+2
Fisons	228	165	
Foreign & Col. I.T.	325	140	
Forte†	4,300	236	+6
Gen. Accident†	314	608	+8
General Elect.†	5,100	330	+5
Glaxo Wellcome†	3,700	747	+2
Glynwed	74	351	
Granada†	1,800	607	-2
Grand Met.†	2,400	399	
GUS†	1,200	622	+5
GRE†	1,000	201	+2
GKN†	619	629	-4
Guinness†	5,000	475	+4
HSBC (75p shs)†	3,000	818	
Hammerson	61	349	-5
Hanson†	13,000	229½	+1
Harrisons Crosfield	809	149	
Hays	912	324	+1
Hillsdown	5,000	184	-4
IMI	137	309	+1
ICI†	580	785	+2
Inchcape†	4,800	307	-8½
Johnson Matthey	161	553	
Kingfisher†	1,300	450	-5
Kwik Save	917	623	+18
Ladbroke†	1,700	176	-1
Land Securities†	702	607	-3
Laporte	309	750	-8
Legal & General†	1,000	511	+6
Lloyds Abbey	1,100	361	+1
Lloyds Bank†	4,300	641	-8
LASMO	4,700	173	+3½
London Elect.	85	678	+9
Lonrho	1,800	147½	+2½
Lucas	788	194	+2
MEPC†	306	396	-4
MFI	971	114	
Manweb	417	880	+2
Marks & Spencer†	3,100	411	-3
Midlands Elect.	48	673	+6
Morrison (Wm.)	1,200	149	+1
NFC	429	189	-1
NatWest Bank†	4,600	549	-6
National Power†	1,300	481	-1
Next	1,700	326	
North West Water†	679	569	-11
Northern Elect.	33	804	+1
Northern Foods	8,200	184½	-7½
Norweb	30	713	+1
Pearson†	879	607	-8
P & O†	891	607	-5
Pilkington	374	185	
PowerGen†	1,800	503	+4
Prudential†	2,900	340	+3
REXAM†	780	473	-7
RMC†	76	1108	-1
RTZ†	2,200	821	
Racal	191	256	+2
Rank Org.†	1,700	424	+2
Reckitt & Colman†	686	675	+5
Redland†	2,300	443	-4
Reed Intl.†	2,400	884	-12
Rentokil†	878	236½	-3
Reuters†	2,800	488	+4
Rolls Royce†	5,600	165½	+½
Ryl Bk Scotland†	1,800	423	-1
Royal Insurance†	2,000	321	+3
Sainsbury†	4,900	456	-4
Schroders†	465	1105	-2
Scottish & New.†	282	543	-1
Scot. Hydro-Elect.	1,300	337	+5
Scottish Power†	1,300	340	+2
Sears†	1,900	109½	
Sedgwick	343	148	-1½
Seeboard	243	401	+5
Severn Trent†	1,000	578	-2
Shell Transport†	2,300	769	+3
Siebe†	414	634	+1
Slough Ests	717	226	-2
Smith (W.H.)	131	346	-2
Smith & Nephew†	341	174	+½
SmKl Beecham†	5,500	644	-1½
SmKl Beecham Uts.†	1,600	528	+4
Smiths Inds.	470	540	+2
Southern Elect.†	322	692	+5
South Wales Elect.	220	736	+10
South West Water	12	614	-4
South West. Elect.	122	708	+6
Southern Water	610	686	-8
Standard Chartd.†	3,800	339	-4
Storehouse	974	274	
Sun Alliance†	2,500	342	+2
T&N	4,300	169	-2
TI Group†	802	390	
TSB†	1,300	249½	-1½
Tarmac	1,100	113	+1
Tate & Lyle†	765	445	-1
Taylor Woodrow	224	120	-1
TeleWest	775	166	+2½
Tesco†	5,300	295½	+2
Thames Water†	795	479	-1
Thorn EMI†	1,000	1266	+15
Tomkins†	3,400	239	-½
Trafalgar House	709	43½	
Unigate	3,400	395	-6
Unilever†	1,300	1255	
United Biscuits†	1,800	337	-1
Utd. News & Media	143	515	-2
Vodafone†	14,000	230	+5
Warburg (SG)†	1,100	757	-8
Welsh Water	359	677	-8
Wessex Water	462	236	
Whitbread†	863	595	-1
Williams Hldgs.†	1,200	337	-1
Wills Corroon	314	180	-1
Wimpey	726	120	-1½
Wolseley†	484	344	-2
Yorkshire Elect.	172	722½	+5½
Yorkshire Water	336	609	-1
Zeneca†	1,500	1046	+8

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 13 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	1,510	—	2,055	1,325	3.3	—
BiolAust	801xd	—	892	702	1.2	—
BrAuPf	448xd	-1	529	430	2.2	—
BUAG	655	-9	694	659	....	—
Braun	617	-4	719	571	—	—
Credit	894	-7	951	567	1.7	—
CredPf	581	-6	637	545	1.7	—
EA Gen	2,880	-15	3,019	2,490	0.8	—
EVN	1,380	-10	1,450	1,178	1.7	—
Jenbac	1,770	—	1,830	1,385	5.8	—
Lenzing	921	—	986	782	1.1	—
Leykam	411	+5	505	385	1.9	—
OeMV	1,070xd	-13	1,120	872	1.4	—
Oest E	906	-6	912	491	3.0	—
PerlZm	726	+5	959	700	2.8	—
RadexH	342	—	410	298	2.9	—
SteyrD	175	-4	191	136	3.4	—
Univ B	398	—	746	369	—	—
VA Tec	1,165	-3	1,176	973	2.1	—
VoestAg	248	-1	337	215	2.4	—
VoestA	685	-6	716	582	2.3	—
WrtAir	514	+10	515	421	1.6	—
Wienbg	3,725xd	-25	3,870	3,200	1.1	—

BELGIUM/LUXEMBOURG (Jun 13 / Frs.)

CZECH REP (Jun 13 / Korona)

DENMARK (Jun 13 / Kr)

FINLAND (Jun 13 / Mks)

FRANCE (Jun 13 / Frs.)

GERMANY (Jun 13 / Dm.)

GREECE (Jun 13 / Drachma)

ITALY (Jun 13 / Lira)

NETHERLANDS (Jun 13 / Fls.)

NORWAY (Jun 13 / Kroner)

POLAND (Jun 12 / Zloty)

PORTUGAL (Jun 12 / Escudo)

SPAIN (Jun 13 / Pts.)

SWEDEN (Jun 13 / Kronor)

SWITZERLAND (Jun 13 / Frs.)

TURKEY (Jun 13 / TL Lira)

PACIFIC

JAPAN (Jun 13 / Yen)

AUSTRALIA (Jun 13 / Aus$)

HONG KONG (Jun 13 / H.K.$)

INDONESIA (Jun 13 / Rupiah)

MALAYSIA (Jun 13 / MYR)

NEW ZEALAND (Jun 13 / NZ $)

SINGAPORE (Jun 13 / S$)

SOUTH KOREA (Jun 13 / Won)

TAIWAN (Jun 13 / TW $)

THAILAND (Jun 13 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jun 13 / Can $)

4 pm close

MONTREAL (Jun 13 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 13 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jun 13	Jun 12	Jun 9	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	14433.28	14095.24	18531.10	2/1	8831.09	9/3
Australia							
All Ordinaries(1/1/80)	1978.9	(c)	1984.5	2077.50	9/5	1823.30	8/2
All Mining(1/1/80)	881.0	(c)	883.2	952.50	19/4	795.30	8/2
Austria							
Credit Aktien(30/12/84)	375.45	377.62	380.33	395.42	2/1	350.32	30/3
Traded Index(2/1/91)	1020.91	1027.69	1039.25	1098.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1414.80	1412.14	1419.82	1469.74	12/5	1271.58	9/3
Brazil							
Bovespa (29/12/83)	(u)	37048.0	36707.0	43180.00	2/1	21382.00	8/3
Canada							
Metals Minls♦(1975)	(u)	4324.16	4301.78	4391.48	8/6	3808.63	1/3
Composite♦ (1975)	(u)	4488.80	4483.80	4494.89	8/6	3981.41	30/1
Portfolio§§ (4/1/83)	(u)	2207.37	2208.58	2219.23	8/6	1948.38	31/1
Chile							
IGPA Gen (31/12/80)	(u)	6029.8†	6101.8	6191.00	6/6	4576.88	9/3
Denmark							
CopenhagenSE(3/1/83)	356.16	355.55	358.97	360.87	26/5	330.01	29/3
Finland							
HEX General(28/12/90)	1870.3	1894.4	1883.0	1940.30	10/1	1556.30	29/3
France							
SBF 250 (31/12/90)	1277.23	1272.12	1270.73	1322.30	12/5	1153.14	10/3
CAC 40(31/12/87)	1922.78	1907.75	1897.02	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	779.72	777.62	781.02	795.81	18/2	708.87	30/3
Commerzbank(1/12/53)	2237.8	2230.1	2238.8	2269.00	18/2	2018.70	30/3
DAX (30/12/87)‡	2115.11	2119.58	2121.75	2148.40	8/6	1910.96	28/3
Greece							
Athens SE(31/12/80)	906.68	(c)	903.09	965.01	8/5	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9103.17	9121.46	9267.62	9570.37	5/6	6967.93	23/1
India							
BSE Sens.(1979)	3299.47	3318.54	3337.71	3932.09	2/1	3015.87	2/5
Indonesia							
Jakarta Comp.(10/8/82)	487.48	487.31	491.75	497.28	5/6	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	1944.12	1944.69	1952.26	1980.08	8/6	1812.58	23/1
Italy							
Banca Comm Ital (1972)	605.95	611.01	620.40	669.54	10/2	587.98	23/3
MIB General (2/1/95)	958.0	967.0	982.0	1076.08	10/2	929.80	23/3
Japan							
Nikkei 225 (16/5/49)	14599.68	14813.48	15044.18	19723.06	2/1	14599.68	13/6
Nikkei 300 (1/10/82)	222.26	224.67	227.51	287.17	2/1	222.26	13/6
Topix (4/1/68)	1193.16	1206.53	1223.75	1569.08	3/1	1193.16	13/6
2nd Section (4/1/68)	1441.90	1457.44	1497.53	2133.66	3/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	1038.99	1042.69	1054.36	1085.04	5/6	849.87	24/1
Mexico							
IPC (Nov 1978)	(u)	1875.71	1958.82	2364.25	2/1	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	471.4	471.0	471.8	476.10	1/6	422.90	23/3
CBS All Shr (End 83)	288.7	288.5	289.0	291.70	1/6	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2086.02	2075.98	2082.84	2155.79	16/5	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1173.14	1172.01	1175.43	1186.84	15/5	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2809.27	(c)	2832.17	2877.33	8/6	2249.39	27/3
Portugal							
BTA (1977)	(c)	2797.3	2790.9†	2911.60	9/1	2682.46	26/1
Singapore							
SES All-S'pore(2/4/75)	518.69	519.79	522.0	535.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1391.0♥	1381.8	1358.4	2023.00	2/1	1317.20	22/5
JSE Ind. (28/9/78)	6794.7♥	6797.5	6842.8	7058.20	3/6	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	887.32	884.40	886.63	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	295.50	293.99	298.35	302.20	24/5	284.08	23/3
Sweden							
AffarsvarldenGen (1/2/37)	1603.9	1608.3	1608.90	1669.80	2/6	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1298.95	1299.77	1296.15	1303.37	1/6	1174.83	13/3
SBC General (1/4/87)	978.33	979.38	977.48	984.16	7/6	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	5513.70	5530.94	5609.79	7124.66	3/1	5513.70	13/6
Thailand							
Bangkok SET (30/4/75)	1372.00	1375.02	1394.50	1466.28	5/6	1135.69	16/3
Turkey							
Istanbul Comp.(Jan 1986)	53092.5	53985.3	53781.2	54853.90	21/4	24944.31	23/1
WORLD							
MS Capital Int (1/1/70)§	683.9*	684.1	685.8	690.10	8/5	605.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1354.19	1350.53	1350.31	1369.43	16/5	1222.41	13/3
Euro Top-100 (26/6/90)	1229.22	1226.86	1227.04	1244.92	6/6	1114.54	10/3
JCapalDygre (31/12/88)	(u)	333.28	330.80	347.28	5/6	282.87	23/1
Barings Emerg.(7/1/92)	(u)	148.02	147.85	158.87	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jun	1906.0	1920.0	+12.0	1922.0	1903.0	16,096	49,945
Jul	1910.5	1922.5	+12.0	1922.5	1906.0	2,522	4,547
DAX							
Jun	2130.5	2126.0	-8.5	2133.5	2113.5	29,678	-
Sep	2152.0	2146.5	-8.5	2154.0	2134.0	16,710	-
OMX							
Jun	1263.00	1263.00	+6.00	1265.00	1259.25	5,417	14,989
Jul	1272.50	1273.50	+4.25	1274.25	1268.25	2,440	718
SOFFEX							
Jun	2798.0	2801.0	+2.2	2804.9	2792.0	8,483	15,829
Jul	2807.0	2806.3	+2.2	2811.9	2800.0	3,474	7,542

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	533.80	534.10	+1.80	534.30	533.80	29,041	99,444
Sep	536.80	538.60	+1.80	538.70	536.50	90,173	138,378
Nikkei 225							
Sep	14900.0	14650.0	-220.0	14970.0	14600.0	34,046	98,274
Dec	14850.0	14650.0	-260.0	14960.0	14650.0	278	691

Open interest figures for previous day.

** Sat June 10: Taiwan Weighted Price 5541.16; Korea Comp Ex 886.31. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 13 - 2124.25 -3.84.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jun 12	Jun 9	Jun 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4446.46	4423.99	4458.57	4485.20 (5/6)	3832.08 (30/1)	4485.20 (5/6/95)	41.22 (2/7/32)
Home Bonds	101.42	101.41	101.93	102.28 (5/6)	93.83 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1663.22	1644.36	1642.50	1686.28 (23/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	203.27	201.82	204.92	209.86 (5/6)	183.03 (3/1)	523.65 (25/5/85)	10.50 (8/4/32)

DJ Ind. Day's high 4482.09 (4486.87) Low 4415.69 (4334.59) (Theoretical♦)
Day's high 4465.48 (4458.57) Low 4425.99 (4407.04) (Actual♦)

Standard and Poors	Jun 12	Jun 9	Jun 8	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	530.88	527.94	532.35	535.60 (5/6)	459.11 (3/1)	535.60 (5/6/95)	4.40 (1/6/32)
Industrials♥	632.08	628.77	633.46	634.20 (6/6)	546.28 (3/1)	634.28 (6/6/95)	3.62 (21/6/32)
Financial	50.55	50.31	51.10	52.57 (5/6)	41.41 (2/1)	52.57 (5/6/95)	8.64 (1/10/74)
NYSE Comp.	285.56	284.05	286.45	288.23 (8/6)	250.73 (3/1)	288.23 (5/6/95)	4.46 (25/4/42)
Amex Mkt Val	489.32	488.59	489.82	492.10 (31/5)	433.12 (5/1)	492.10 (31/5/95)	29.31 (9/12/72)
NASDAQ Cmp	887.98	884.38	886.13	887.98 (12/6)	743.58 (3/1)	887.98 (12/6/95)	54.87 (31/10/72)

RATIOS

	Jun 9	Jun 2	May 26	Year ago
Dow Jones Ind. Div. Yield	2.50	2.54	2.53	2.68
	Jun 7	May 31	May 24	Year ago
S & P Ind. Div. yield	2.20	2.19	2.21	2.48
S & P Ind. P/E ratio	17.65	17.72	17.61	24.08

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Nat Med Ent	4,820,100	15	-1¼
Rubbermaid	4,599,200	26	-⅞
Nat Semi	3,225,900	26¾	-1⅛
IBM	2,894,100	90¾	+1
Wal-Mart	2,882,900	25⅜	+¼
Philip Morris	2,552,500	71	+¾
Telefonos	2,542,400	29¼	+⅞
Gen Motors	2,346,700	46½	+⅛
Micron	2,249,200	47⅝	-⅛
Walt Disney	2,224,000	59	+1⅝

TRADING ACTIVITY

● Volume (million)	Jun 12	Jun 9	Jun 8
New York SE	287.835	327.571	289.820
Amex	23.574	14.453	17.763
NASDAQ	361.565	397.464	392.091
NYSE			
Issues Traded	2,986	2,973	2,965
Rises	1,261	644	1,028
Falls	927	1,588	1,158
Unchanged	798	741	781
New Highs	79	67	110
New Lows	9	10	3

TOKYO - MOST ACTIVE STOCKS: Tuesday, June 13, 1995

	Stocks Traded	Closing Prices	Change on day
Fudo Const	17.4m	743	-31
Showa Line	11.8m	103	+11
Nippon Steel	6.1m	286	-6
NKK	3.8m	193	-2
Matsushita	3.5m	1200	-60
Sumitomo Const	3.4m	507	-17
Maruyama Mfg	3.0m	508	-24
Mitsubishi Hvy	2.9m	541	-14
NEC	2.9m	859	-11
Hitachi	2.9m	789	+4

4 pm close June 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

Continued on next page

4 pm close June 13

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
40¾	32⅞	Salomn	0.64	1.6	10	4626	40¼	39⅝	40¼	+⅛
22⅞	18¼	SAOgGE	1.56	7.1	18	282	22¼	21⅞	22⅛	+¼
10⅛	8	SantaFeERs	0.16	1.6	89	990	10	9⅞	9⅞	-⅛
13⅛	9	SFeGd	0.05	0.4	29	2291	12⅞	12⅝	12⅝	+⅛
37⅞	33¼	SFePPlpe	3.00	8.0	9	172	37⅝	36⅞	37⅝	+⅝
24½	17½	SanFeP	0.10	0.4	27	1868	u24⅝	24⅛	24½	+¼
28½	24¼	SaraLee	0.68	2.6	52	5160	27⅞	27⅜	27½	+⅛
48¼	38⅝	SBC Co	1.65	3.6	18	2793	46⅛	45¾	46	+½
23¼	20½	Scana Corp	1.44	6.5	14	374	22⅛	21⅞	22	+⅛
18	14½	Scecrp	1.00	5.8	11	5568	17⅝	17⅜	17⅜	
11¼	7⅛	SchwnkA	0.28	3.2	12	60	8¼	8⅛	9⅛	+⅛
50¼	42⅛	ScheerlP			29	587	47¼	46¾	47⅛	+⅛
40½	35½	SchrPl	1.16	2.9	8	6988	u40⅝	39⅞	40½	+⅝
66⅜	50⅛	Schlmb	1.50	2.4	27	3232	64⅝	63¼	63⅝	+⅜
48⅝	28⅛	SchwabC	0.24	0.6	24	1354	38⅞	38½	38⅝	-⅛
24⅞	17½	SciAtl	0.06	0.3	23	1822	19⅞	19⅝	19⅞	+¼
19¼	16⅞	Scotman	0.10	0.5	12	70	19¼	19⅛	19⅛	-⅛
48⅛	33½	ScottP	0.40	0.9	19	16674	43¾	43	43¾	+½
32⅛	28⅞	Scripps	0.52	1.7	18	620	30¾	30⅜	30⅜	
21½	14⅞	ScuddrNAsF	0.02	0.1		211	15¼	14⅞	15	-¼
10⅛	8⅝	ScuddrNEuF	0.16	1.6		75	10⅛	10	10	-⅛
15½	13⅝	SeaCnB	0.70	4.7	11	2	15	15	15	
16	14⅝	SeaCt 4625	1.46	9.8		3	15¼	15	15	-⅛
40¼	23⅝	S'gate			11	3660	u40¼	39½	40	+⅛
32⅞	25⅝	Seagrm	0.60	1.9	17	25410	31	29⅞	30⅞	+1½
20	15¾	Seaqull Eq	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	20⅛	Whitehall				287	31	32	31½	31⅝	-⅜
19⅞	15⅝	Whitmn	0.39	2.1	17	821	18¼	18	18⅛	+½
24½	17⅝	Whittaker			24	45	22	21⅞	21⅞	
30½	26⅝	Wicor Inc	1.60	5.6	16	43	28¾	28⅝	28¾	-⅛
34⅛	24½	Willms	1.08	3.2	15	2152	33¾	33⅛	33¼	+⅛
6¾	5¾	Wilshire	0.08	1.0	76	9	6¼	6⅛	6¼	+⅛
10⅛	7⅝	Windmere	0.20	2.4	7	219	8½	8½	8½	
57⅞	51⅛	WinnDx	1.56	2.8	18	274	57¼	56¼	56⅝	+⅛
10¾	8¼	Winnebago	0.40	5.0	6	885	8¼	d7⅞	8	-¼
28⅞	25¼	WiscEn	1.47	5.3	13	527	27⅞	27½	27⅝	+¼
15	13⅛	WiserO	0.40	2.9	12	118	13⅞	13⅝	13¾	-⅛
29¾	24¼	Witco Corp	1.12	3.8	14	1273	u29⅞	29¼	29¾	+½
29⅝	25⅜	WMX T	0.60	2.2	18	9018	27¾	27½	27⅝	
24⅛	15½	Wolverine	0.14	0.6	18	212	22	21	22	+1
19⅞	14¾	Woolwth	0.60	3.9	310	3192	15¾	15½	15½	+⅛
15¾	13¼	World Wide	0.10	0.6		37	15⅝	15½	15⅝	+⅛
12⅞	7¼	Worldcorp			10	1552	10½	10	10½	+½
28¾	26¾	WPS Rs	1.82	6.3	13	74	29¼	28⅞	29	
49⅛	42⅞	Wrigley	0.56	1.2	24	551	44⅞	44⅝	44⅞	+⅛
29⅛	19⅜	Wyle Labor	0.29	1.0	17	182	28⅜	27⅞	28⅛	+⅜
23⅞	19½	Wynns Int	0.52	2.3	10	41	23	22½	22½	-⅜
- X - Y - Z -										
125¾	96½	Xerox	3.00	2.6	16	3521	117⅛	115⅞	117⅛	+2⅝
52½	44⅛	Xtra Corp	0.64	1.4	12	513	46½	45¾	46⅛	-⅛
22⅞	19½	Yankee Egy	1.26	6.0	14	185	21¼	20⅞	21	-⅛
45⅛	34⅛	York Int	0.24	0.5	17	2030	44⅞	44½	44½	-½
4⅜	3¼	Zapata	0.14	4.1	6	39	3½	3⅜	3⅜	-⅛
12⅛	6⅞	ZnthEl			13	879	8	7⅞	7⅞	
22¾	19⅜	Zenith Nat	1.00	4.6	11	6	21⅝	21⅝	21⅝	
6⅞	6⅛	Zenix Inc	0.72	10.7		196	6¾	6⅝	6¾	+⅛
14⅝	12⅝	Zero	0.44	3.0	15	289	u14¾	14⅜	14½	
20⅞	16⅞	Zurn Ind	0.40	2.0	36	194	20⅜	20	20⅛	+⅛
11¾	10¼	Zweig Fund	1.04	9.7		180	10⅞	10¾	10¾	
8⅞	7⅞	Zweig Tot! x	0.84	9.6		355	8¾	8⅝	8¾	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. pls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

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4 pm close June 13

AMEX COMPOSITE PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Chambers		12	12	6	6	6	
CircPh	0.04	33	1986	u31⅞	30¾	31⅞	+⅝
Cmtd FdA	0.01		219	5¹⁄₁₆	5	5	-¹⁄₁₆
Cominco	0.30	9	2	17⅝	17⅝	17⅝	-⅛
CmpTch		55	28	6⅛	6	6⅛	-⅛
Giant FdA	0.74	17	478	28½	28⅛	28½	+¼
Glatfltr	0.70	7	383	19⅛	19	19	-⅛
Goldfield		7	340	[illegible]	[illegible]	[illegible]	[illegible]
Greenman		11	716	7½	7⁷⁄₁₆	7½	+¹⁄₁₆
Gulf Cda	0.34	3	131	4¹⁄₁₆	4	4	
Nat Ptnt		5	2410	u2⁷⁄₁₆	2⁵⁄₁₆	2⅜	+¼
NY TmA	0.56	10	5775	22¾	22¼	22⅝	+½
NumacE		17	2	4¹³⁄₁₆	4¹³⁄₁₆	4¹³⁄₁₆	
ViacomB			8674	45⅜	44⅞	45¼	
WRIET	1.12	17	185	11¾	11½	11⅝	+⅛
Xytronix		1	50	1⁷⁄₁₆	1⅜	1⅜	-¹⁄₁₆

NASDAQ NATIONAL MARKET

4 pm close June 13

AMERICA

Dow lifted by CPI and retail data

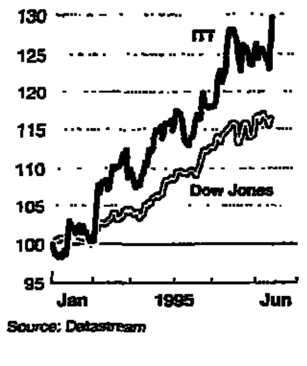
Wall Street

US shares traded higher yesterday amid renewed speculation that the Federal Reserve might lower interest rates by the end of the summer and on signs of strength in the computer chip industry, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 24.90 stronger at 4,471.36, while the Standard & Poor's 500 rose 3.45 to 534.33. The American Stock Exchange composite climbed 1.21 to 490.53 and the Nasdaq composite gained 4.30 at 892.28, surpassing Monday's record close. NYSE volume was 197m shares.

Retail sales rose 0.2 per cent overall in May to reverse April's 0.3 per cent decline.

ITT



Source: Datastream

Most economists, however, had expected the sales figure to rebound more strongly to about 0.6 per cent.

The figures were closely watched by investors and economists, who had changed their opinion about the course of monetary policy several times in the previous two weeks.

Adding fuel to the belief that the Fed might ease monetary policy were weaker than expected figures on consumer prices. The core consumer price index – which excludes the volatile food and energy components – rose 0.2 per cent in May, while the median economic estimate forecast a 0.3 per cent increase.

The Nasdaq composite soared into record territory, again in part because a key measure of sales recorded its highest level last month in nearly 10 years. The Semiconductor Industry Association put May's book-to-bill ratio at 1.22, meaning that for every $100 of products shipped, companies received $122 of new orders. Intel rose $1/16 at $11⅞, and VLSI Technology $¾ at $27⅛.

Also on the Nasdaq, *Cephalon added $1⅝ to the $7⅞* it jumped Monday on news that it had positive results from a trial of a drug to treat a degenerative nerve disorder. The share traded at $30.

On the NYSE, shares of Sun dropped $2¾ at $28¼ after the oil refining and marketing company announced that it would cut its quarterly dividend to 25 cents per share from 45 cents.

ITT gained $5¼ at $114½ after the company announced plans to spin off its businesses into three separate publicly traded companies.

First Financial Management jumped $⅞ at $81⅞ after the company agreed to be acquired by First Data in a deal valued at $6.5bn. Shares in First Data shed $1⅞ at $55¼ on the news.

Canada

Toronto rose early ahead of an expected drop in interest rates, and got an extra kick as Seagram's MCA acquisition secured distribution rights to products from DreamWorks, the film studio formed last October by the film director Mr Steven Spielberg, the record boss Mr David Geffen, and the former Walt Disney studios chief Mr Jeffrey Katzenberg.

Seagram was up C$2 at C$42¼ by midsession, the consumer products sector by 2.4 per cent and the TSE 300 composite index 14.17 higher at 4,481.00.

Mexico higher at noon

Mexico City was higher in midday trade in response to Wall Street's gains and positive reports from the corporate front.

The IPC index moved forward 26.86 to 2,002.57 as Salomon Brothers in New York said the possibility of a sovereign loan default in Mexico was growing less likely, with the government in a good position to pay its short-term debt obligations over the next few months. At the same time, the Securities Exchange reported that foreign investment in *Mexican securities fell by 7.8* per cent in May to $34.2bn, which was 38.4 per cent below the level last December.

Serfin rose 5.1 per cent after it implemented a plan to repurchase 3.2bn new pesos of its mandatorily convertible subordinated debentures.

SAO PAULO edged lower in midday trade, with the market again awaiting today's futures settlement and next week's options settlement.

At 1pm the Bovespa index was standing 73 softer at 36,975 in light turnover of R$154m ($167.8m).

SANTIAGO rebounded after Monday's 2 per cent fall when the market was dragged down by a *sell-off of Chilean American* Depositary Receipts. The IPSA index picked up 1.38 to 104.1 in late morning trade.

S Africa sees support fade

Johannesburg finished mixed as early support for industrials faded in the face of a higher than expected local producer price inflation figure for April and continued political tension between the ANC and Inkatha.

Gold shares were marginally higher, although analysts commented that a strong improvement was unlikely unless the bullion price managed to rally through $390 an ounce.

The overall index was 19.3 softer at 5,406.7, industrials gave up 12.8 at 6,784.7 and golds firmed 9.2 to 1,391.0.

De Beers receded R1.50 to R90.50, under pressure ahead of the Central Selling Organi*sation half-year sales figures* due for release on June 21. Anglos were R1 off at R194. Iscor made 3 cents to R4.05 after an earlier dip to R3.98.

EUROPE

Paris recovers but Valeo weakens auto sector

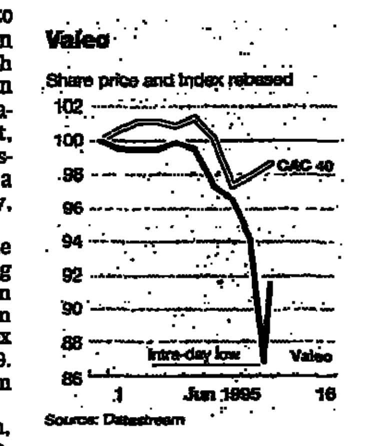
French equities responded to US CPI data, and its effect on the dollar, and their Spanish counterparts responded to an improvement in domestic inflation figures; but Frankfurt, which usually reacts to a rising dollar, offered only a grudging intraday recovery, *writes Our Markets Staff.*

PARIS said the rise in the dollar and the drop in US long bond yields, lifting European domestic bonds, were the main reasons why the CAC 40 index closed 15.04 higher at 1,922.79. Turnover expanded from FFr2.62bn to FFr4.03bn.

Winners included St Gobain, the building materials group, which climbed FFr20 to FFr618 on its forecast of a "very significant" rise in first-half profits; Vallourec, up FFr9.10 to FFr253.10, also on profits prospects; and Suez in financials, FFr6.60 ahead at FFr262.60 on takeover speculation.

The automotive sector suffered as Valeo, the components maker, dropped a further FFr20.10 to FFr239 before ending FFr6.10 down at FFr253. Mr Christopher Will, automotive analyst at Lehman Brothers, said a French broker had downgraded its earnings expectations from above average to around consensus level; the company itself repeated earlier news that raw materials price increases would have to be faced this year; and what happened afterwards, said Mr Will, was a panic reaction, followed by a smart intraday recovery.

Valeo



Source: Datastream

However, other groups in the sector were affected, Peugeot falling FFr15 to FFr682, Michelin by FFr1.50 to FFr215 and Sommer-Allibert by FFr21 to FFr1,880.

FRANKFURT had every reason to wait, said Ms Barbara Altmann at B Metzler. The Bundesbank meeting today, the Corpus Christi holiday tomorrow, and the triple-witching expiry of options and futures on Friday, were *all* excuses for inaction as the Dax index closed 3.54 easier at 2,124.25, up from 2,115.11 at the end of the official session.

Turnover dipped from DM6.3bn to DM5.9bn. Investors sat on their hands again, and the main share price moves among Dax constituents reflected traders' reactions to "market sensitive" stories.

Volkswagen, for example, retreated DM4.40 to DM393 after a report in the German magazine Stern, which said that charges of industrial espionage would be levelled this year against VW manager Jose Ignacio Lopez de Arriortura. German prosecutors dismissed the report as speculative; VW, and dealers themselves, said this was an old story warmed over.

MILAN staged a technical rebound during the afternoon, on buying linked to today's close of the June account, helping shares up from early lows which reflected continuing worries over the uncertain political outlook.

The Comit index registered a fall of 5.66 to 605.35 but the real-time Mibtel index picked up from a low of 9,651 to finish 1 higher on balance at 9,765.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Jun 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1353.01	1352.54	1351.74	1350.76	1350.00	1350.80	1352.53	1354.19
FT-SE Eurotrack 200	1446.42	1446.56	1445.47	1445.04	1444.80	1445.10	1447.99	1447.96

	Jun 12	Jun 9	Jun 8	Jun 7	Jun 6
FT-SE Eurotrack 100	1350.53	1359.31	1371.16	1374.76	1377.53
FT-SE Eurotrack 200	1446.06	1452.28	1463.69	1462.64	1465.48

Base 1000 (26/10/90); Highday: 100 - 1355.72; 200 - 1449.72 Lowday: 100 - 1349.29 200 - 1442.91 † Partial

Fiat, under pressure in recent sessions after lower than expected first-quarter results, moved ahead from an early L5,860 to finish L31 higher at L5,974 as the company met analysts to outline its strategy.

Telecom Italia bounded up from a session's low of L4,090 to end L46 firmer at L4,212.

Industrials saw Montedison L15 higher at L1,149 and Olivetti L12 ahead at L1,578.

MADRID was encouraged by gains in the bond market, itself lifted by flat Spanish CPI data for May which left year-on-year inflation at 5.1 per cent, compared with 5.2 per cent in April. The general index finished 1.51 higher at 295.50 in turnover of Pta24.5bn.

The interest rate-sensitive electrical utilities had another good day, with Iberdrola ahead Pta21 or 2.4 per cent at Pta881.

ZURICH continued to consolidate, the SMI index easing 1.4 to 2,800.9 in quiet trading dominated by professionals.

In a mostly weaker insurance sector, Swiss Re registered improved SFr3 to SFr913 as a call warrant and recommendations supported the stock.

Holvis dipped SFr3 to SFr497 as International Paper, of the US, withdrew from the takeover battle, leaving the way open for BBA's friendly SFr500 a share bid.

Electrowatt weakened SFr8 to SFr341 after the company forecast that 1994/95 results would match the previous year's level.

Roche certificates lost SFr35 to SFr7,110. Ciba, however, picked up *SFr5 to SFr853, sup*ported by Monday's sharp gains on Wall Street by Chiron, in which it has a 49.9 per cent stake, after news of successful tests of the drug Myotrophin, a treatment for degenerative nerve disease, in a research venture between Chiron and Cephalon.

STOCKHOLM and HELSINKI suffered from a reaction in telecoms stocks. Ericsson B saw profit-taking and fell SKr14 to SKr551 as the Affärsvärlden General index receded 2.4 to 1,603.9. In Finland, Nokia tried for a new all-time high, but after getting there early in the day, at FM218, it closed FM4 lower at FM213.

Finland's tertial results season progressed with soaring profits from the airline Finnair and a less exciting but still sizeable gain at the chemicals group Kemira. Neither satisfied the market, the stocks falling FM1.20 to FM39.80 and FM2 to FM37 respectively as the Hex index dropped 24.0 or 1.3 per cent to 1,870.3.

AMSTERDAM recovered with the Dow but still closed with the AEX index 0.15 off at 431.83. The current transatlantic interest in technology stocks, at a price, brought Philips into the picture, up 90 cents to Fl 64.20 on heavy US buying.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei stays on downward path as Taipei falls 1.9%

Tokyo

Government concern over the equity market, and the prospect of fiscal stimulus, failed to lift sentiment; the Nikkei 225 average fell 1.5 per cent to another 34-month low, *writes Emiko Terazono in Tokyo.*

The index finished 213.78 weaker at 14,599.68 after fluctuating between 14,582.05 and 14,931.76. Hedge selling on the futures market prompted arbitrage unwinding, while institutional investors, including life insurers, tried to liquidate their portfolios.

Volume totalled 310m shares, against Monday's 294.7m. The Topix index of all first section stocks shed 13.37 to 1,193.16, while the Nikkei 300 slipped 2.41 to 222.26. Declines outpaced advances by 817 to 192, with 155 issues unchanged. But in London the ISE/Nikkei 50 index gained 2.55 at 987.00.

Mr Masayoshi Takemura, the finance minister, announced that a second supplementary budget would be compiled in the autumn, while Mr Tomiichi Murayama, the prime minister, expressed concern for the stock market's weakness.

However, market participants were unimpressed, expressing frustration at the lack of effective government response. "The government thinks it can use old methods to solve the market's problems," said a Japanese broker of the fiscal stimulus package announcement.

*Meanwhile, Monday's com*ments by Finance Ministry officials that public funds would not be pumped into the stock market to help shares, and announcements by insurance companies that they would be decreasing their stock exposure, deepened the pessimism.

Share prices declined across the board, with a total of 533 issues falling to lows for the year. Shipbuilders suffered the biggest loss, the sector declining 4.5 per cent. Mitsui Engineering and Shipbuilding slid Y13 to Y182 and Hitachi Zosen *by Y25 to Y329.*

Steels lost 1.9 per cent on selling by institutional investors. Nippon Steel dipped Y6 to Y286 and NKK by Y2 to Y193.

Traders said sharp declines in leading electronics companies weighed on investor confidence. Sony dropped Y220 to Y3,800 and Matushita Electric Industrial Y60 to Y1,200.

In Osaka, the OSE average receded 213.30 to 15,722.67 in volume of 16.1m shares.

Roundup

Corporate news drove many regional markets.

TAIPEI dropped 1.9 per cent to a 14-month low, led by textiles, constructions and financials on heavy sales just before the close. The weighted index lost 107.24 at 5,513.70 in turnover of T$27.9bn.

The textiles sector tumbled 3.2 per cent as many investors became pessimistic about the industry's outlook. Shinkong Synthetic Fibres fell T$1.80 or 5.7 per cent to T$29.90.

The construction and financial groups both declined 2.2 per cent. Electronics stocks *were also weak, in spite of* news that the US semiconductor chip industry's book-to-bill ratio, regarded as an important indicator of the sector, was at its highest level for almost a decade in May.

HONG KONG was restrained ahead of yesterday's US economic data, and the Hang Seng index, in positive territory for much of the day in response to Wall Street's overnight performance, turned back to finish 18.28 down at 9,103.17. Turnover eased to HK$2.4bn.

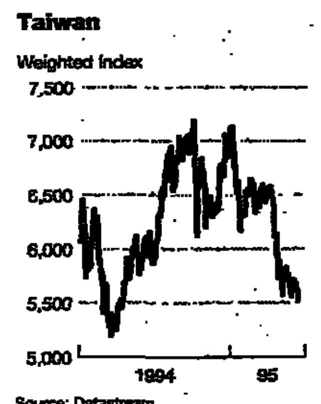
Cheung Kong put on 60 cents *at HK$37.10 as investors* awaited pre-sale results of additional Kingswood Villas apartments that the company will release this week. Hutchison rose 40 cents to HK$36.50.

Citic Pacific fell a further 35 cents to HK$19.25 on continuing rumours that it planned to sell some or all of its 12.9 per cent stake in HK Telecom, off 5 cents at HK$15.10.

KUALA LUMPUR was easier on profit-taking as investors again digested gains that took the market to a 1995 high last week. The composite index *closed 3.69 lower at 1,038.99 in* volume that climbed to 106m shares from Monday's 84m.

Sime Darby relinquished 15 cents at M$6.65 after last week's climb on rumours of a call warrant issue.

Taiwan



Source: Datastream

Tai Kwong Yokohama, an automotive battery maker which made its market debut, ended at M$3.78, up sharply from its initial public offer price of M$2.50.

Repco Holdings, the motor parts retailer whose stock surged 56 per cent over the *week to Monday, surrendered* M$1.80 to M$20.80 as the company said it could not explain the activity.

SEOUL remained firmer after late profit-taking erased some of its early gain, made on expectations of a large-scale intervention by the state-controlled stock stabilisation fund.

The composite index finished 2.92 ahead at 887.32, with news that the US and North Korea had forged a final accord to implement their nuclear deal helping to improve the market mood. Most shares of companies having business ties with Pyongyang gained ground.

Kepco, which is likely to be the main supplier of nuclear reactors to the North, rose Won300 to Won29,100, while Hyundai Engineering and Construction, which plans many large-scale development pro*jects in North Korea, moved* ahead Won300 to Won32,900.

SYDNEY saw profit-taking that left the All Ordinaries index 5.6 softer at 1,978.9, with tax-loss selling ahead of the end of the financial year also trimming prices.

Pirelli Cables Australia, the electrical and electronics group, dropped 10 cents or 11.8 per cent to 75 cents after Friday's profits warning.

MANILA was depressed at the prospects of a spate of new issues, including the forthcoming initial public offering in *Pilipino Telephone*, and the composite index shed 22.9 to 2,809.27. Petron, the oil refiner, lost 2.3 per cent at 21.25 pesos and Security Bank fell 7.3 per cent to 50.50 pesos.

BANGKOK picked up from the day's low after late selective buying and the SET index was a net *3.02 off at 1,372.00.*

Bangkok Metropolitan Bank appreciated Bt2.25 to Bt30 on market talk that a major shareholder had been increasing his stake in the company.

WELLINGTON was led higher by a strong forestry sector as the NZSE-40 index gained 10.05 at 2,086.02 in turnover of NZ$33m. Fletcher Challenge firmed 5 cents to NZ$4.09 on strong US buying, with good demand for newsprint and rising world prices supporting the stock.

BOMBAY featured strong foreign demand which pushed Tisco, the steelmaker, Rs8 higher to Rs241 as the BSE-30 index fell 10.07 to 3,299.47.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and *Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.*

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 12 1995								FRIDAY JUNE 9 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	163.51	-0.2	151.66	86.97	119.26	151.39	0.0	4.15	163.90	151.97	87.29	119.07	151.39	180.62	157.95	173.65
Austria (26)	193.61	-1.2	179.80	102.97	141.21	141.03	-0.8	1.26	195.96	181.70	104.36	142.35	142.18	198.89	167.48	179.79
Belgium (35)	190.78	-0.5	177.17	101.47	139.14	135.55	-0.4	3.86	191.66	177.71	102.07	139.23	136.12	201.12	161.66	165.93
Brazil (28)	132.97	0.2	123.49	70.72	96.98	224.57	0.8	1.51	132.68	123.02	70.66	96.38	222.85	-	-	-
Canada (102)	140.58	-0.1	130.55	74.77	102.53	140.42	0.1	2.52	140.68	130.44	74.92	102.20	140.30	141.69	120.54	129.36
Denmark (33)	278.76	-0.8	258.88	148.26	203.31	207.80	-0.3	1.52	281.05	260.59	149.68	204.17	208.62	287.44	236.61	253.74
Finland (24)	219.01	0.4	203.39	116.48	159.74	197.80	0.9	1.57	218.09	202.22	116.15	158.43	196.09	219.01	133.68	137.37
France (101)	182.50	-0.2	169.49	97.07	133.11	141.28	0.3	3.14	182.83	169.53	97.37	132.82	140.85	191.17	157.79	165.73
Germany (59)	157.07	-0.6	145.87	83.54	114.56	114.56	-0.2	2.07	157.96	146.46	84.12	114.75	114.75	157.96	132.08	136.08
Hong Kong (55)	357.64	-1.4	332.14	190.22	260.85	355.12	-1.4	3.84	362.55	336.16	193.08	263.38	359.99	416.42	277.40	372.88
Ireland (16)	229.25	-0.7	212.90	121.93	167.20	198.07	-0.5	3.61	230.95	214.14	123.00	167.78	199.06	230.95	181.99	185.38
Italy (58)	72.24	-3.2	67.09	38.42	52.69	89.32	-1.8	1.91	74.63	69.20	39.74	54.22	90.80	89.22	65.45	89.22
Japan (483)	145.09	-1.2	134.75	77.17	105.82	77.17	-1.3	0.97	146.87	136.18	78.22	106.70	78.22	170.10	138.95	163.95
Malaysia (97)	536.13	-1.3	497.91	285.15	391.04	503.96	-1.3	1.62	543.16	503.62	289.26	394.58	510.52	594.76	398.16	470.82
Mexico (18)	931.03	0.2	864.64	495.18	679.05	6387.59	1.1	2.10	929.38	861.73	494.95	675.14	6321.39	2414.12	647.81	2085.40
Netherland (19)	248.94	-0.6	231.19	132.40	181.57	178.24	-0.2	3.57	250.33	232.11	133.32	181.86	178.52	252.34	194.56	199.13
New Zealand (14)	80.29	-0.1	74.56	42.70	58.56	63.83	-0.3	4.68	80.40	74.55	42.82	58.41	64.03	84.31	64.00	69.84
Norway (33)	222.51	-0.4	206.64	118.34	162.29	188.70	0.1	2.24	223.44	207.17	118.99	162.31	188.41	230.07	177.53	183.25
Singapore (44)	393.53	-0.5	365.47	209.30	287.03	252.49	-0.4	1.70	395.44	366.66	210.60	287.27	253.54	414.26	313.94	341.10
South Africa (61)	339.91	-0.4	315.67	180.79	247.92	272.86	-0.3	2.55	341.20	316.36	181.71	247.86	273.94	363.22	261.43	274.94
Spain (38)	145.98	-1.4	135.57	77.64	106.47	134.83	-0.8	4.19	148.12	137.34	78.88	107.60	135.97	151.79	124.10	143.98
Sweden (48)	264.81	-0.7	245.93	140.84	193.15	283.81	-0.1	2.11	266.60	247.19	141.98	193.67	283.94	266.60	199.70	213.10
Switzerland (46)	198.58	-0.2	184.42	105.62	144.84	142.44	0.3	1.80	199.08	184.59	106.02	144.62	142.00	199.48	155.05	160.33
Thailand (46)	169.56	-0.9	157.47	90.19	123.67	162.16	-0.9	2.69	171.05	158.60	91.10	124.26	163.61	-	-	-
United Kingdom (203)	216.32	-0.1	200.89	115.05	157.78	200.89	0.1	4.17	216.44	200.69	115.27	157.24	200.69	218.27	181.11	188.32
USA (506)	216.93	0.5	201.46	115.38	158.22	216.93	0.5	2.66	215.77	200.06	114.91	156.74	215.77	219.15	190.55	187.05
Americas (654)	198.68	0.5	184.51	105.67	144.91	166.72	0.5	2.63	197.68	183.29	105.27	143.60	165.85	-	-	-
Europe (739)	188.19	-0.5	174.77	100.09	137.26	157.98	-0.1	3.16	189.08	175.29	100.68	137.34	158.07	190.51	160.59	165.39
Nordic (138)	254.57	-0.5	236.42	135.40	185.67	225.80	0.1	1.93	255.82	237.20	136.24	185.84	225.63	255.82	197.70	202.94
Pacific Basin (822)	155.15	-1.2	144.09	82.52	113.16	88.38	-1.2	1.36	156.97	145.54	83.59	114.03	89.50	176.86	145.93	171.55
Euro-Pacific (1561)	168.82	-0.8	156.78	89.79	123.13	114.15	-0.7	2.20	170.24	157.85	90.66	123.67	114.96	178.33	154.73	169.82
North America (809)	212.20	0.5	197.07	112.86	154.77	211.75	0.5	2.65	211.12	195.75	112.43	153.37	210.65	214.30	176.83	183.47
Europe Ex. UK (536)	168.89	-0.7	156.85	89.83	123.18	133.96	-0.1	2.60	170.05	157.67	90.56	123.53	134.16	171.29	144.12	149.27
Pacific Ex. Japan (339)	251.33	-0.8	233.41	133.68	183.31	221.07	-0.8	3.21	253.55	235.10	135.03	184.19	222.87	273.13	211.19	247.57
World Ex. US (1770)	169.50	-0.8	157.41	90.15	123.62	117.73	-0.7	2.21	170.85	158.41	90.99	124.11	118.50	178.73	155.42	169.92
World Ex. UK (2073)	180.73	-0.3	167.84	96.12	131.81	141.17	-0.2	2.18	181.32	168.12	96.56	131.72	141.52	187.07	163.46	173.24
World Ex. Japan (1793)	205.93	0.0	191.25	109.53	150.20	191.65	0.2	2.87	205.87	190.89	109.64	149.55	191.28	208.74	176.74	182.50
The World Index (2276)	183.83	-0.3	170.72	97.77	134.07	146.26	-0.2	2.37	184.38	170.96	98.19	133.94	146.57	189.27	165.92	174.59

Latest prices were unavailable for this edition. Market closed 12/6/95: Australia.